ASSESSMENT OF GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) CONFERENCE

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

DECEMBER 2, 1982

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE

15-124 O WASHINGTON : 1983

5161-6

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ASSESSMENT OF GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) CONFERENCE

THURSDAY, DECEMBER 2, 1982

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The committee met at 2:17 p.m., in room 324, Russell Senate Office Building, Hon. Jesse Helms (chairman) presiding.

Present: Senators Helms, Dole, Boschwitz, Hawkins, and Heflin.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The CHAIRMAN. The committee will come to order.

The Chair apologizes for the 17-minute delay. We had rollcall votes and various other things. But we are here and ready to start.

I realize that this hearing was called on short notice. There is not much that we could do about that inasmuch as some of us still have jet lag as a result of the trip to Geneva and a few other lags, too, have we not, Mr. Lyng?

Mr. LYNG. Yes, that is correct, Mr. Chairman.

The CHAIRMAN. But, like others, we gave up Thanksgiving week with our families and went to the Ministerial Conference of the General Agreement on Tariffs and Trade, commonly known as GATT. The first one in 9 years, and it was important because we had a visible presence there to send some signals to various countries, in particular the European Community regarding the protectionism and predatory practices, not only by the EC but other countries as well.

I have a prepared statement which I will put in the record in the interest of time so that the record can be made of the position of this Senator at least,[1] and I think many others, with respect to the absolute necessity that other countries in the world understand that the United States is not a protectionist country but that the mood of this Congress is to do whatever is necessary to put an end to the predatory practices and fight fire with fire.

We have a number of options that are known to all members of the committee. I hope it will not be necessary to implement any of them, but let the word go out that Members of Congress, in my judgment, are not going to let the American farmer go down the tubes by standing idly by while we tolerate practices that are extremely adverse to the best efforts of our farmers.

[1] See p. 27 for the prepared statement of Senator Helms.

Now, on the trip to Geneva, we had the distinguished Senator from Georgia, Mr. Mattingly, and the distinguished Senator from Iowa, Mr. Grassley, and we were later joined by Senator Dole. The Agriculture Department was ably represented by Dick Lyng, and I want to compliment you publicly for your patience and diligence and the long hours that I know you spent.

Senator Mattingly and Senator Grassley, do either of you have comments that you would like to make?

STATEMENT OF HON. CHARLES GRASSLEY, A U.S. SENATOR FROM IOWA

Senator GRASSLEY. I spent most of my time bilaterally visiting about the agriculture issue and trying to raise the issue of the export subsidies that the European Community uses. I have to say that I went away from the meetings in Geneva last week extremely disappointed and dismayed.[1]

I think the whole question of the relevancy of the General Agreement on Tariffs and Trade today must be addressed. The way GATT is being utilized, not the concept. Clearly, we have to deal dramatically with the world trade situation we are in. One way to do that is, as some of us suggested, to equalize competition with the European Community by subsidizing our exports or dumping surplus. But beyond that, I think we have to get the rhetoric into the realm of public discussion and public understanding. Along that line, yesterday I sent the President a letter that I will be asking my colleagues to support. This letter asks the President to call together the agriculture industry, labor, and academic community, for an economic and trade summit so that we can once again establish an agenda for the eighties that is directed toward the preservation of what has made the world so prosperous since World War II, to move toward free trade in an absence of protectionism.

Obviously we are not in that situation today, but I think for the economic health of not only farmers, which was my main concern for going over there, but for solving the unemployment problem worldwide, not just in America.

The CHAIRMAN. Senator Mattingly.

STATEMENT OF HON. MACK MATTINGLY, A U.S. SENATOR FROM GEORGIA

Senator MATTINGLY. Thank you, Senator Helms. I do not have any prepared text.

I would like to make a few comments that I think that the GATT can be looked at in different ways. I think it did bring to a higher profile in the United States that we need trade reform. I think both internationally and in our own country. That the studies that were proposed as a GATT are not items that are going to cause any immediate action, and I do not think we can any longer in this country paper over the obstacles that we have had to both agriculture and the industrial trade in this country; that we do need action and that we need it now. I think others that were as adamant as the United States were Australia.

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[1] See p. 28 for the prepared statement of Senator Grassley.

The other thing that I think that has been unique at this meeting was that we saw both people from the Trade Office, people from the State Department, Agriculture Department, the Commerce Department, the House of Representatives, the U.S. Senate, and those from the private sector, in total agreement that there had to be action taken. And I think that we all were discouraged that there was no action taken. But I think, so we do not misconstrue what is happening, is that the United States and very few others are free traders in the world today. And that many others, Europe, the European Community, and Japan and others have taken on more of a protectionist trade and all the United States wants and all we want in the Congress, I think for our private sector, is fair trade. And how you go about getting fair trade?

Obviously, we need trade reform in the United States. You know the GATT failed in respect of either eliminating or rolling back subsidies, and that was the overriding concern that there was in the GATT conference.

So I think that the signal that Senator Helms and others made very clear when we were at the GATT, that this Congress was not bluffing. The private sector was not bluffing, and those in the administration were not bluffing. And that there was needed some strong action when we came back. Now, whether that be in the area of dumping the dairy products, I do not know. Yesterday, or the day before yesterday, I introduced legislation, Senate bill S. 3049, to give the Agriculture Department authority to use surplus corn so we could target it for the poultry and egg producers. So that we can meet the unfair competition that has prevailed from both Brazil and the European communities.

So I guess with that, I would just say that I think we do need to take action; that we can just no longer jawbone on it, but we have to take positive things on it that will allow the agriculture industry in the United States and other industries of the United States to compete on a level playing field with equity and fairness. That was the purpose of the legislation that I introduced and I hope that the Agriculture Committee will look kindly upon it and that we can enact these things rapidly to where we cannot only target but to do the things that we need to do to rectify, to correct the trade inequities within the rules and guidelines of GATT.

The CHAIRMAN. Thank you, Senator.

I was thoroughly delighted that Bob Dole flew in to Geneva. I do not see how you maintained the schedule that you did. But Bob Dole has a way of being quite candid and he met with some of the delegation. Bob, I personally appreciate the contribution you made.

I recognize you, Senator.

STATEMENT OF HON. BOB DOLE, A U.S. SENATOR FROM KANSAS

Senator DOLE. I will just take a minute because I know we have some distinguished guests who will be prescribing their views today.

I had the opportunity and privilege yesterday to speak to about 14,000 farmers in Kansas City during the annual convention of Farmland Industries. They have members from a number of States

throughout the Midwest and, of course, they are very concerned about trade. I tried to reassure the farmers that while we certainly believe in free trade, we also believe in fair trade. We have to remember that, as upset as we may be, there are similar conditions in nearly every country. There are nearly 35 million people out of work in the industrial countries of the world. Every country we visited has higher interest rates and much higher inflation than the United States. There is 10.3 percent average unemployment throughout Europe, and we are all very honestly looking for some way to get people back to work as well as to improve farm prices.

I think the last thing we should do is to throw a protectionist wall around the United States. In agriculture, we must export to live. We must export to prosper. That does not mean that there are not some measured areas that we might look at. We are preparing to do that in the Senate Finance Committee. I am pleased in the interest of the Senate Agriculture Committee, and will be working with Senator Helms to see what we might do to underscore that we are serious about this.

We are not trying to disrupt the GATT. I think one positive thing that came out of the GATT ministerial meeting is that the GATT is still in existence. The framework is still there. However, we certainly are disappointed. I do not want to trespass on whatever comments Dick Lyng and Jack Parsons may make. The National Corn Growers were there and also met with a number of people. But we have got a real problem. It also involves East-West trade, and I hope that there is some way that we can focus on that as well as the European Community and Japan.

I hope to visit Japan in January. It may be an exaggeration—I do not do that too often—but when we have hearings in the Finance Committee, half of the people in the audience are Japanese and the other half are there representing the Japanese. Now, that may be a slight exaggeration but it is an indication of how aggressive they are. They are very aggressive businessmen and businesswomen, and they are doing an effective job.

But let us face it, our discontent with trade is now spilling over into defense areas. You are seeing some who say we ought to take our troops out of Europe, that we are spending too much on defense to protect some of those countries. And we believe that there has got to be some way to have a more balanced trade policy. I want to commend Dick Lyng and Senator Helms and the others who were there, and certainly Bill Brock. It is an almost intolerable and impossible mission that he had. But there is some small amount of progress. I have not been able to find it yet, but I am certain because I read it somewhere that we made progress. As soon as I learn what it is, I will report further.

Thank you.

The CHAIRMAN. Thank you, Bob.

As you have indicated, Dick Lyng was there, Deputy Secretary of Agriculture, and Leo Mayer, his Associate Administrator for Foreign Agricultural Service, and Jack Parsons who we will hear from in a few moments.

I found it very helpful that the president of the American Farm Bureau Federation, Bob Delano, was in attendance.

Dick, why do you not show them the newspaper headline that you have there?

STATEMENT OF HON. RICHARD LYNG, DEPUTY SECRETARY OF AGRICULTURE, ACCOMPANIED BY LEO MAYER, ASSOCIATE ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. LYNG. Thank you, Mr. Chairman. I cannot wait.

This is the headline from the Sunday Express in London last Sunday. I think everyone can read it. It says, "Farm War: U.S. Warns Europe."

We got a little more attention in Europe than perhaps in the United States. Perhaps that is one of the good things that may come out of the GATT, Senator Dole.

I have to say though how impressed I was at the activities of the members of the Senate committee, the people from the Senate and the House that were there. I know that if Bill Brock were here—he is with the President in South America—he would point out how vitally important this kind of backing was to his efforts there. I concur, Senator Dole, in what you said about Bill Brock doing a good job. He did an absolutely splendid job. I think all of us over there appreciated that.

It was a disappointment, although I guess not too big of a surprise to those of us in agriculture, that almost nothing or nothing was really accomplished. We were most concerned about the agricultural subsidy situation as Senator Grassley and others mentioned. And since I came home, I put together a kind of a small litany of why we were so concerned, and I thought if I could have a moment to go through that, because I think it is important that we show that we are not just annoyed, these things are a serious threat to the agricultural economy.

During the decade of the 1970's, the European Community net imports of grain dropped from about 22 million metric tons to where the European Community is expected to be a net exporter of nearly 8 million metric tons in 1982-83. Importers of 22 to exporters of 8, a huge shift.

During that decade, the last decade, European wheat exports have increased nearly fivefold, from 3.4 million metric tons in 1970-71 to an estimated 16.5 million metric tons this year. They have become the world's fourth largest wheat exporter.

Now, in order to do that, they have to subsidize that wheat. We did an example of a sale from the French to the U.S.S.R. The local market price, and this would have been just a few weeks ago, the local market price in Rouen in France was $5.20 a bushel. That is set by the support price there. They call it the intervention price. They put an export subsidy of $1.96 a bushel and sold it to the Soviets for $3.24 per hundredweight. Our wheat delivered Rotterdam—per bushel, I am sorry, per bushel, and our price, U.S. price, no subsidy, was $3.51. They then undercut our price by 27 cents a bushel by using a $1.96 subsidy.

Going on, they have appropriated for the current year $1.2 billion in grain export subsidies. Their share of the world wheat trade

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has increased from about 6 percent in 1970 to 16½ percent this year.

Sugar has gone from a net importer in 1978 to——.

Senator BOSCHWITZ. Mr. Secretary, before you leave wheat, why don't you mention some of the countries where European wheat is appearing, such as Chile, Bolivia, and Peru?

Mr. LYNG. They are going all over. We are losing more market wherever they exist. It is not just the Soviet Union. That is correct, Senator.

Senator BOSCHWITZ. Where they clearly could not go without that subsidy.

Mr. LYNG. They could not export a pound of it in competition with us without this massive subsidy.

In sugar, they have gone from a net importer in 1978 to the world's largest exporter. This is no small thing. Exporting 5 million metric tons this year, 4½ million metric tons last year. They decimated the sugar market and really are the cause of why we—the reason we had to put in some protection for our sugar producers last year.

In poultry meat, the European Community has moved from the world's largest importer in the mid-1960's to the world's largest exporter. All of this is subsidized. The Community now accounts for about 35 percent of the world's broiler market.

They are the largest egg exporter, shipping 67,000 tons. Prior to the inception of their egg common agricultural policy in 1967, they were the world's largest importer, importing 51,000 tons. They have gone from 51,000 tons imported to 67,000 tons exported.

They have appropriated $107 million for poultry and egg export subsidies in 1982. Just poultry and eggs.

They are the world's largest dairy exporter, exports of about 1.5 million metric tons of dairy products, accounting for about 60 percent of the world trade. All of this, of course, subsidized. They have appropriated $1.9 billion for dairy export subsidies in 1982.

Senator BOSCHWITZ. May I interrupt again, Mr. Chairman?

Their annual dairy exports, all of which are subsidized, are approximately three times our EEC removal, three times our annual surplus.

Mr. LYNG. Yes, that is correct. And, of course, up until very recently, they were a net importer of beef and veal. Now, they are the second largest exporter only behind Australia. They have appropriated $728 million for beef and veal export subsidies this year.

So over and over again, these are not just annoying things; they are a series of loss of business for American farmers, and the disappointment was that what we tried to get in the statement was something to take a look at that subject. We had a paragraph drafted which Ambassador Brock presented to them, and I would like to read it. It is very short.

> In connection with the review of the adequacy and effectiveness of the multilateral trade negotiation agreements, the contracting parties agreed to establish a high level committee to review export subsidy practices, and based on this review, to commence at an early date the phased elimination of such practices and the serious problems they create.

They would not allow one word of that to be in the final document.

The Committee on Agriculture that was established to take a look at subsidies as a part of that, they will not report for 2 years, and it is a poor solution to what is a major problem.

In a press conference during the session, Sir Roy Denman was the spokesman for the European Community and said that, and I am quoting, "If people tell us that we should be disciplining or reducing our agricultural export subsidy, that is going a hell of a sight farther than anything in the Tokyo round." That referring to dispute settlement, you know, we have six 301 cases which are the way you try to settle disputes there. We are not getting anything done with those, but when he referred to dispute settlements, he said, "The economic community is anxious to avoid panel judgments which could result in new obligations in the GATT." In other words, they want no changes made whatsoever.

With that kind of an attitude, it is understandable that those of us who are interested in agriculture, Mr. Chairman, came home with considerable disappointment. Where do we go from here? At the Department of Agriculture, we are putting together a package of recommendations to be given interagency consideration in the very near future, and I am hopeful that we can begin to see some action on the part of the United States which will not take retaliation. I do not think that it is our goal to start a war or anything like that, but I think the important thing is to try to maintain these markets that we have had, and if we do not do anything, then there will be constant erosion of our markets.

I might tell you that Secretary Block today is meeting in Paris at the OECD meetings with agricultural ministers of the members of that organization which include all of the European Community, and I talked to him late this morning. He told me that the tone seemed to him to be a good deal better than it was in Geneva and perhaps some of these headlines may be having some impact. Next week, Secretary Block and Secretary Shultz, Ambassador Brock and Secretary Baldrige will go to Brussels for the ministerial meeting, bilateral ministerial meeting, with the European Community. We are not going to quit this thing. We are going to keep trying to get them to change their ways. But, in the meantime, we are also developing a package that we are going to try to do something that would comply with what you and others have suggested. But we are going to keep in mind the President's statement that just because someone has shot a hole in the boat, that we are not going to shoot another hole in the boat. We are all in the same boat. Sometimes we feel like we might like to toss the other fellow out of the boat, but we have a lot of work to do here. It is a serious thing.

Thank you.

The CHAIRMAN. Thank you, Mr. Secretary.

[The following support material was supplied by the Department of Agriculture.]

EC WHEAT AND COARSE GRAIN TRADE
Millions of Metric Tons
JULY/JUNE

	Imports	Exports	Net Trade
1974/75	20.7	10.8	- 9.9
1975/76	21.9	13.0	- 8.9
1976/77	28.7	9.0	-19.7
1977/78	20.6	10.5	-10.1
1978/79	19.1	14.0	- 5.1
1979/80	18.6	15.4	- 3.2
1980/81	16.0	20.3	4.3
1981/82	14.6	20.5	5.9
1982/83	13.6	22.5	8.9

SOURCE: USDA/FAS

U.S. and Competitor Grain Exports
Changes In Market Share
July-June Years

Major Wheat Exporters (Million Metric Tons)

	1967/68	68/69	69/70	70/71	71/72	72/73	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83
U.S.	20.2	14.7	16.5	19.9	16.9	31.8	31.3	28.3	31.7	26.1	31.5	32.3	37.2	41.9	49.1	43.5
Canada	8.9	8.7	9.0	11.5	13.7	15.6	11.7	11.2	12.1	12.9	15.9	13.5	15.0	17.0	17.7	19.5
Australia	7.0	5.4	7.4	9.5	8.7	5.6	5.4	8.3	7.9	8.5	11.1	6.7	14.9	10.6	11.0	7.5
EC	2.4	4.5	5.8	3.4	4.2	6.0	5.2	6.9	8.6	5.1	5.0	8.8	10.4	14.7	15.5	17.0
Argentina	1.4	2.7	2.1	1.6	1.3	3.4	1.1	2.2	3.2	5.6	2.6	3.3	4.8	3.9	4.3	6.0
Subtotal	39.9	36.0	40.8	45.9	44.8	62.4	54.7	56.9	63.5	58.2	66.1	64.6	82.3	88.1	97.6	93.5
Other	11.1	9.0	9.2	9.1	7.2	4.6	8.3	7.1	3.2	4.9	7.0	7.4	3.7	6.2	4.4	6.0
Total	51.0	45.0	50.0	55.0	52.0	67.0	63.0	64.0	66.7	63.1	73.1	72.0	86.0	94.3	102.0	99.5
Percent Share Of World Wheat Market	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
U.S.	39.6	32.7	33.0	36.2	32.5	47.5	49.7	44.2	47.5	41.4	43.1	44.9	43.3	44.4	48.1	43.7
Canada	17.4	19.3	18.0	20.9	26.3	23.3	18.6	17.5	18.1	20.4	21.8	18.8	17.4	18.0	17.4	19.6
Australia	13.7	12.0	14.8	17.3	16.7	8.4	8.6	13.0	11.8	13.5	15.2	9.3	17.3	11.2	10.8	7.5
EC	4.7	10.0	11.6	6.2	8.1	9.0	8.3	10.8	12.9	8.1	6.8	12.2	12.1	15.6	15.2	17.1
Argentina	2.7	6.0	4.2	2.9	2.5	5.1	1.7	3.4	4.8	8.9	3.5	4.6	5.6	4.1	4.2	6.0
Others	21.9	20.0	18.4	16.5	13.9	6.9	13.2	11.1	4.8	7.8	9.6	10.3	4.3	6.6	4.3	6.0

SOURCE: USDA/FAS

EC SUGAR TRADE
1000 Metric Tons Raw Value

	Imports	Exports	Net Trade
1976	2,077.6	1,868.7	-208.9
1977	1,732.9	2,698.8	965.9
1978	1,656.1	3,566.2	1,910.1
1979	1,430.09	3,576.8	2,145.9
1980	1,430.9	4,325.0	2,894.1
1981	1,364.7	5,343.7	3,979.0
1982 1/	1,365.0	5,400.0	4,035.0

SOURCE: International Sugar Organization Yearbook.

1/ Estimated

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World Sugar Exports
(Thousand Metric tons, Raw Value)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
EEC	1,178.8	1,287.9	1,919.6	1,915.8	1,127.5	701.8	1,868.7	2,698.8	3,566.2	3,576.8	4,325.0	5,843.7
USA	1.1	.5	.7	3.9	61.9	203.1	68.8	19.7	20.3	14.3	587.0	948.5
Cuba	6,906.3	5,510.9	4,139.6	4,797.4	5,491.2	5,743.7	5,763.6	6,238.2	7,231.2	7,269.4	6,191.1	7,072.4
Dom. Rep.	792.8	1,011.2	1,141.3	1,069.5	1,054.9	975.3	998.8	1,116.6	936.7	1,035.0	792.7	864.0
Brazil	1,129.8	1,230.4	2,637.5	2,975.3	2,302.7	1,729.6	1,252.4	2,486.6	1,924.6	1,941.6	2,661.9	2,670.8
Philippines	1,178.2	1,411.5	1,216.5	1,455.0	1,635.6	1,005.7	1,514.6	2,574.8	1,141.9	1,157.5	1,793.0	1,277.6
Thailand	52.3	145.0	438.9	258.3	563.9	668.2	1,155.3	1,674.5	1,028.7	1,210.3	459.7	1,154.9
So. Africa	690.8	766.0	1,045.9	914.7	827.0	808.4	859.8	1,383.9	718.9	883.9	785.1	786.8
Australia	1,660.3	1,778.8	2,314.9	2,124.0	1,827.7	1,976.0	2,621.0	2,965.2	2,002.1	2,002.9	2,410.6	2,982.1
Total Others	8,132.9	7,813.9	6,931.0	6,963.9	7,204.3	6,790.8	6,654.4	7,263.2	6,466.8	6,843.1	6,726.4	5,982.7
World total	21,723.3	20,956.1	21,785.9	22,477.5	22,096.7	20,602.6	22,757.4	28,421.5	25,037.4	25,934.8	26,732.5	28,952.7

Source: ISO Yearbook 1969 and 1980

Percentage Share of Total Trade

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
EEC	5.4	6.2	8.8	8.5	5.1	3.4	8.2	9.5	14.2	13.8	16.2	18.4
U.S.A.	*	0	0	*	.3	1.0	.3	.1	.1	.1	2.2	3.3
Cuba	31.8	26.3	19.0	21.3	24.9	27.8	25.3	21.9	28.9	28.0	23.2	24.5
Dom. Rep.	3.6	4.8	5.2	4.8	4.8	4.7	4.4	3.9	3.7	4.0	3.0	3.0
Brazil	5.2	5.9	12.1	13.2	10.4	8.4	5.5	8.7	7.7	7.5	10.0	9.2
Philippines	5.4	6.7	5.8	6.5	7.4	4.8	6.7	9.1	4.6	4.5	6.7	4.4
Thailand	.2	.7	2.0	1.1	2.6	3.2	5.0	5.9	4.1	4.7	1.7	4.0
So. Africa	3.2	3.7	4.8	4.0	3.7	3.9	3.8	4.9	2.9	3.4	2.9	2.5
Australia	7.6	8.5	10.6	9.4	8.3	9.6	11.5	10.4	8.0	7.7	9.0	10.1
Other Countries	37.6	37.2	31.7	31.2	32.5	33.2	29.3	25.6	25.8	26.4	25.2	20.4
Total	100	100	100	100	100	100	100	100	100	100	100	100

* Less than .1 percent

Source: ISO Yearbook 1976 and 1981

WORLD POULTRY EXPORTS BY MAJOR SUPPLIERS
Thousands of Metric Tons

	1964-66	1971-75	1980-82
U.S.	84	78	365
EC	19	88	447
Brazil	0	2	283
Hungary	34	80	145
Other	34	72	97
Total	171	320	1337

Percentage Share

	1964-66	1971-75	1980-82
U.S.	49.2	24.4	27.3
EC	11.2	27.5	33.5
Brazil	.0	.6	21.1
Hungary	19.8	25.0	10.8
Other	19.8	22.5	7.3
Total	100	100	100

SOURCE: USDA/FAS

BEEF & VEAL: Major Exporters
(000 MT)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982 2/
United States	17	17	18	24	28	41	29	24	41	47	72	78	83	100	113
Australia	377	450	501	557	720	855	486	744	860	1,061	1,131	1,089	840	703	810
New Zealand	171	208	272	301	275	311	258	305	383	384	346	343	344	347	350
Uruguay	113	124	167	91	114	118	120	113	195	129	112	81	117	173	153
Argentina	607	775	715	477	703	551	298	266	527	583	740	697	469	486	500
Brazil	71	109	124	158	228	170	102	101	156	191	130	110	169	266	340
EC 1/	29	33	55	55	18	9	161	197	144	86	96	224	592	584	462
Subtotal	1,385	1,716	1,852	1,663	2,086	2,055	1,454	1,750	2,306	2,481	2,627	2,622	2,614	2,659	2,728
Other	497	546	483	491	537	521	370	454	544	524	550	539	602	612	601
Total 1/	1,882	2,262	2,335	2,154	2,623	2,576	1,824	2,204	2,850	3,005	3,177	3,161	3,216	3,217	3,329

Percentage Share of World Trade

United States	1	1	1	1	1	2	2	1	1	2	2	2	3	3	3
Australia	20	20	21	26	27	33	27	34	30	35	36	34	27	22	24
New Zealand	9	9	12	14	10	12	14	14	13	13	11	11	11	11	11
Uruguay	6	5	7	4	4	5	7	5	7	4	4	3	4	5	5
Argentina	32	34	31	22	27	21	16	12	18	19	23	22	15	15	15
Brazil	4	5	5	7	9	7	6	5	5	6	4	3	5	8	10
EC 1/	2	1	2	3	1	1	9	9	5	3	3	7	17	18	14
Other	26	24	21	23	20	21	20	21	19	17	17	17	17	19	18

1/ Does not include trade among the EC member states.

2/ Estimated

BEEF & VEAL: Major Importers
(000 MT)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982 2/
United States	689	744	824	797	905	917	747	808	950	664	1,053	1,103	946	799	875
Japan	19	27	33	59	82	182	77	64	130	121	143	185	174	174	175
Soviet Union	14	30	60	43	32	16	293	331	178	342	56	250	429	511	464
EC 1/	291	354	364	352	575	346	209	88	167	152	151	168	329	282	270
Subtotal	1,013	1,155	1,281	1,251	1,594	1,461	1,326	1,291	1,425	1,279	1,403	1,706	1,878	1,766	1,784
Other	544	594	621	503	337	567	403	477	646	753	818	745	445	511	441
Total 1/	1,557	1,749	1,902	1,754	1,931	2,028	1,729	1,768	2,071	2,032	2,221	2,451	2,323	2,277	2,225
							Percentage Share of World Trade								
United States	44	43	43	45	47	45	43	46	46	33	47	45	41	35	39
Japan	1	2	2	3	4	9	4	4	6	6	6	8	7	8	8
Soviet Union	1	2	3	2	2	1	17	19	9	17	3	10	18	22	21
EC 1/	19	20	19	20	30	17	12	5	8	7	7	7	14	12	12
Other	35	34	33	29	17	28	23	27	31	37	37	30	19	22	20

1/ Does not include trade among the EC member states.

2/ Estimated

TABLE 2. EC-9 TOTAL DAIRY PRODUCT EXPORTS AND IMPORTS
1970-80

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982 1/
EC Exports	663	601	522	588	617	365	472	873	863	1,358	1,398	1,198	1,227
EC Imports	197	211	288	302	241	265	240	209	217	206	200	224	202

SOURCE: USDA/FAS/DL&P DATA BASE AND EUROSTAT NIMEXE TRADE BOOKS. DAIRY PRODUCTS INCLUDE BUTTER, CHEESE AND NONFAT DRY MILK. ALL DATA EXCLUDE INTRA-EC TRADE.

1/ ESTIMATED

NFDM: Major Exporters
(000 MT)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982 2/
EC 1/	125	242	91	224	141	95	173	310	145	167	420	422	666	578	433	456
New Zealand	130	135	130	158	128	158	167	216	141	122	296	189	141	172	163	135
United States	197	190	134	196	170	138	17	12	54	61	74	122	84	131	141	120
Australia	54	40	40	53	50	42	60	94	67	95	110	36	18	12	12	47
Subtotal	506	607	415	631	489	433	417	632	407	445	900	769	909	893	749	758
Other	54	64	126	148	128	98	161	102	102	207	240	587	149	123	125	149
World 1/	560	671	541	779	617	531	578	734	509	652	1,140	1,356	1,058	1,016	874	907
	Percentage Share of Global Trade															
EC 1/	22	36	17	29	23	18	30	42	28	26	37	31	63	57	50	50
New Zealand	23	20	24	20	21	30	29	29	28	19	26	14	13	17	19	15
United States	35	28	28	25	28	26	3	2	11	9	6	9	8	13	16	13
Australia	10	6	7	7	8	8	10	13	13	15	10	3	2	1	1	5
Other	10	10	23	19	21	18	28	14	20	32	21	43	14	12	14	16

1/ Does not include trade among the EC member states.

2/ Estimated

CHEESE: Major Exporters
(000 MT)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982 2/
EC1/	105	128	109	114	116	134	109	188	160	201	208	207	264	327	365	375
New Zealand	104	100	88	91	93	88	95	68	65	81	79	70	63	69	80	81
Switzerland	40	46	47	47	45	46	53	52	54	55	63	57	60	64	65	65
Australia	26	35	26	41	38	33	30	38	34	32	53	44	51	61	49	56
Austria	14	15	17	21	21	24	27	30	31	33	35	38	38	41	43	44
Finland	16	17	18	21	20	20	23	23	21	30	33	37	38	38	34	35
East Germany	0	0	0	0	0	0	0	0	0	0	0	97	97	96	96	96
United States	10	12	10	10	13	14	14	16	15	16	17	20	5	6	6	11
Subtotal	315	353	314	345	346	359	353	415	380	448	488	570	616	702	738	763
Other	68	70	68	70	67	61	58	58	57	83	80	79	70	94	100	80
World1/	383	423	382	415	413	420	411	473	437	531	568	649	686	796	838	843

Percentage Share of Global Trade

EC1/	27.9	30.3	28.5	27.5	28.1	31.9	26.5	39.8	36.6	37.9	36.6	31.9	38.5	41.1	43.6	44.5
New Zealand	27.2	23.6	23.0	21.9	22.5	21.0	23.1	14.4	14.9	15.3	13.9	10.8	9.2	8.7	9.5	9.6
Switzerland	10.4	10.9	12.3	11.3	10.9	11.0	12.9	11.0	12.4	10.4	11.1	8.8	8.8	8.0	7.8	7.7
Australia	6.8	8.3	6.8	9.9	9.2	7.9	7.3	8.0	7.8	6.0	9.3	6.8	7.4	7.7	5.8	6.6
Austria	3.7	3.6	4.5	5.1	5.1	5.7	6.6	6.3	7.1	6.2	6.2	5.9	5.5	5.2	5.1	5.2
Finland	4.2	4.0	4.7	5.1	4.8	4.8	5.6	4.9	4.8	5.7	5.8	5.7	5.5	4.8	4.1	4.2
East Germany	0	0	0	0	0	0	0	0	0	0	0	15.0	14.1	12.1	11.5	11.4
United States	2.6	2.8	2.6	2.4	3.2	3.3	3.4	3.4	3.4	3.0	3.0	3.1	0.7	0.8	0.7	1.3
Other	17.8	16.6	17.8	16.9	16.2	14.5	14.1	12.3	13.0	15.6	14.1	12.2	10.2	11.8	11.9	9.5

1/ Does not include trade among the EC member states.

2/ Estimated

BUTTER: Major Exporters
(000 MT)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
EC[1]/	105	107	83	178	185	74	306	119	60	104	245	234	428	493	396	332
New Zealand	203	205	206	198	195	187	177	162	164	207	213	177	192	231	203	200
Australia	104	78	75	103	93	62	75	60	35	76	34	34	45	24	11	8
Finland	16	18	17	29	20	19	12	19	12	21	16	15	17	10	15	8
East Germany	0	0	0	0	2	1	0	0	0	0	0	39	28	35	38	39
United States	3	19	12	4	45	24	8	3	1	2	2	2	0	0	54	78
Subtotal	431	427	393	512	540	367	578	363	272	410	510	501	710	793	717	665
Other	117	98	107	112	54	70	66	86	55	64	58	51	38	39	36	45
World[1]/	548	525	500	624	594	437	644	449	327	474	568	552	748	832	753	710

Percentage Share of Global Trade

EC[1]/	19.2	20.4	16.6	28.5	31.1	16.9	47.5	26.5	18.4	21.9	43.1	42.4	57.2	59.3	52.6	46.8
New Zealand	37.0	39.1	41.2	31.7	32.8	42.8	27.5	36.1	50.2	43.7	37.5	32.1	25.7	27.8	27.0	28.2
Australia	19.0	14.9	15.0	16.5	15.7	14.2	11.7	13.4	10.7	16.0	6.0	6.2	6.0	2.3	1.5	1.1
Finland	2.9	3.4	3.4	4.7	3.4	4.4	1.9	4.2	3.7	4.4	2.8	2.7	2.3	1.2	2.0	1.1
East Germany	0	0	0	0	0.3	0.2	0	0	0	0	0	7.1	3.7	4.2	5.0	5.5
United States	0.6	3.6	2.4	0.6	7.6	5.5	1.2	0.7	0.3	0.4	0.4	0.4	0	0	7.2	11.0
Other	21.4	18.6	21.4	18.0	9.1	16.0	10.3	19.2	16.8	13.5	10.2	9.2	5.1	4.7	4.8	6.3

1/ Does not include trade among the EC member states.

INTERNATIONAL TRADE IN EGGS 1/

(in Millons of eggs)

	1966 Imports		1982 2/ Exports
EC 3/	1,501	EC	2,308
U.S.	172	U.S.	1,850
Hong Kong	791	Finland	470
U.S.S.R	609	Spain	425
Switzerland	496	Lebanon	410
Austria	392	Bulgaria	300
Canada	205	Romania	300
All Countries 4/	4,675	All Countries 4/	7,542

Source: USDA/FAS/DL&P/ data base amd EC NIMEXE publications

1/ Includes shell egg equivalent of egg products.

2/ Estimated

3/ Excludes intra-EC trade

4/ Total for all 35 countries in USDA/FAS/DL&P data base (excluding EC intra-trade). It is believed these countries account for the bulk of world trade.

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EC APPROPRIATIONS FOR AGRICULTURE 1981 AND 1982

Guarantee Section

Commodity	Total				Intervention				Export Subsidies				Subsidies as % of Total Appropriations	
	1981		1982		1981		1982		1981		1982			
	Million ECU	Million US $	Million ECU	Million US $	Million ECU	Million US $	Million ECU	Million US $	Million ECU	Million US $	Million ECU	Million US $	1981	1982
Cereals and Rice	1,963	2,191	2,191	1,942	731 1/	816	798 1/	738	1,232	1,375	1,393	1,204	63	62
Sugar*	700	781	1,226	1,133	368 2/	410	439 2/	406	332	371	787	727	48	64
Olive Oil	453	506	648	599	448	500	643	594	5	6	5	5	--	--
Oil Seeds	579	646	621	574	569	635	616	569	10	11	5	5	--	--
Fruit & Vegetables	715	798	849	785	650	725	774	715	65	73	75	70	1	9
Wine	618	690	416	385	588	656	385	356	30	34	31	29	--	7
Tobacco	327	365	618	571	322	359	599	555	5	6	19	16	--	3
Dairy	3,675	4,101	3,930	3,632	1,770 3/	1,975	1,832 3/	1,693	1,905	2,126	2,098	1,939	52	53
Beef & Veal	1,497	1,671	1,415	1,308	697	778	627	580	800	893	788	728	53	56
Pork	162	181	159	147	28	31	38	35	134	150	121	112	83	76
Eggs & Poultry Meat	104	116	116	107	0	0	0	0	104	116	116	107	100	100
Processed Products	360	402	410	379	0	0	0	0	360	402	410	379	100	100
Other	427	477	707	653	423	472	704	650	4	5	3	3	--	--
Total	11,580	12,923	13,217	12,215	6,594	7,357	7,455	6,891	4,986	5,558	5,761	5,324	43	44
Guidance Section	519	579	772	714										
Total Appropriation	12,099	13,502	13,989	12,929										

Averaged for 1981, 1 ECU = $1.116; October 13, 1982, 1 ECU = $ .9242
1/ Includes Food Aid of 38 million ECU 1981, 75.6 million ECU 1982 2/ Includes Food Aid of 2 million ECU 1981, 1.5 million ECU 1982 3/ Includes Food Aid of 12.8 million ECU 1981, 189.6 million ECU 1982
* A large part of these expenditures is to be reimbursed to the budget by the sugar producers.

The CHAIRMAN. Now, let us hear from the private sector, Jack Parsons, the president of the National Corn Growers Association. As I said earlier, you were a big help.

STATEMENT OF JACK PARSONS, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION

Mr. PARSONS. Thank you, Mr. Chairman. It was a pleasure for the Corn Growers to be there and to be participating in the GATT negotiations.

I apologize for not having a prepared statement, but I will have one to follow.

The main reason that the Corn Growers participated in the meeting was that we had a message back from the EEC that U.S. farmers were not concerned about their subsidies: Their direct payment to European farmers of their export subsidies which increased their agricultural production instead of decreased their agricultural production like our subsidies do.

We felt as though we needed to carry the message to them that we are very unhappy with the policies that they are imposing. And we did. We made that very clear. I do not know how I could have made it any clearer that the U. S. corn growers are very unhappy with what is going on. And the statement that Secretary Lyng made, I certainly concur with that, and I think that those numbers you put out are excellent.

I think they were also informed that the climate in Washington, D.C. is ripe to counter some of the export subsidies and direct payments through blended credits and our own export studies, interest buy down and dumping dairy products, increasing Public Law 480, and there is many other areas that we could work with.

The National Corn Growers came back from the GATT meeting, and also from the meeting in Moscow, thinking it is going to be very hard for us to increase any exports at this time. So we started to move forward by looking at some domestic markets and ways that we could probably help there and, Mr. Chairman, I will submit for the record two letters,[1] one that the National Corn Growers have written to the Chairman of the Ways and Means Committee, Congressman Rostenkowski; one of the letters is from us and one of the letters is from three Governors in the Midwest: Orr from Indiana, Thompson from Illinois, and Ray from Iowa.

And with that, I believe I would concur with about everything that the others said.

The CHAIRMAN. Thank you very much.

Leo, what do you have to add?

Mr. MAYER. Well, I would only add, Mr. Chairman, that it was an honor to participate in the meetings. Beyond that, I will stand with Mr. Lyng and his statements.

Senator DOLE. Do you have those figures, available Dick?

Mr. LYNG. yes. We would be glad to send them.

Senator DOLE. Are there any other examples like that?

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[1] See p. 31 for the letters referred to by Mr. Parsons.

Mr. LYNG. Yes. I will be happy to do that, to send it all the members of the committee and anyone else that would like to have them.

The CHAIRMAN. Yesterday we were at a luncheon meeting attended by about 40 or 50 Senators and almost casually this matter came up, just as one form of discussion, and I have never seen the unanimity among Senators wanting to push this thing. I do not know what your experience was afterward, but I had at least a dozen Senators come to me and say I am ready to go.

So I think the headline is well taken. The U.S. Congress is very attentive to what went on and what did not go on in Geneva.

Senator DOLE. Before we go to war, we have to have some weapons.

The CHAIRMAN. That is right.

Senator Hawkins.

Senator HAWKINS. I appreciated your representing us so well. I saw Senator Mattingly and Senator Grassley on television saying if indeed we are going to war, we could do it better than anybody.

The CHAIRMAN. Senator Heflin.

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM ALABAMA

Senator HEFLIN. I think the reports that have come back, I know that Senator Dole came back at a former meeting that we had, that indicated that we had lost in the Russian market from 70 percent of their grain imports down to 17 percent, which is a drastic situation. And no question that embargoes, tons of embargoes have all had a material effect as well as this subsidization program that is carried on, and as I see it in regards to the farmers, you are either going to have to increase markets or you are going to have to go to some sort of supply control, and supply control is not what we want.

I think you are going to have to have an aggressive situation pertaining to exports and to markets and the concept that has been mentioned that Secretary Block, without any definitive threshing out of it, is certainly, if we have any leverage through any of this foreign aid, if they are going to rebuild Lebanon, they are going to do something else, we ought to see a guarantee that the workers that are doing it are eating bread made by American wheat as well as other products. I think it is time we go to war on this in every aspect that we have. It is not only in the foreign relations but everywhere else. We are going to have to do something or else our farmers are going to go under, and they are in the worst condition that they have been in now in many years.

I want to see something done. I look forward to hearing what proposals you have. But put some teeth in them. We have been mealy mouthing around too long. Let us put some teeth in it.

The CHAIRMAN. Senator Boschwitz.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. Well, I share Senator Heflin's feelings that we have to put some teeth in it, and I have seen some interesting

proposals, Secretary Lyng, and we have talked about these matters on numerous occasions, that perhaps some CCC stocks can be used not only to increase production in this country but also to reward those who buy from us. Quite clearly, some of the barriers that exist against our agricultural commodities in Japan should be lowered; quite clearly, some of this subsidization that is done by the Europeans has to be accounted for and they show very little inclination on either side of the ocean, the Pacific or the Atlantic, of playing the game by the same fair trade rules that we want to use. The EC, which is about one-quarter of our size physically, will have a greater agricultural trade principally because they ship out many high-value products, and thus, they will have a greater dollar trade this year than this country. Those small countries, again, that occupy about one-quarter of the land mass that we have in the United States, have farm programs that spend about $40 billion a year. This year all U.S. farm programs will spend about $12 billion. One-half of that will be loans that will be repaid, so that really the expenditure is $6 billion as opposed to $40 billion because they are all outlays. They really whoop it up and really make it difficult. Quite clearly, they are grasping our markets. We simply cannot be mealy mouthed, as the Senator from Alabama pointed out, if we are going to have them change their ways. They seem to come little by little by little, but as the Senator from Kansas said, they are well represented, they are extremely well informed. The trade is historically their life blood, much more than it is ours in this country, and they are good at it. Yesterday we listened to Senator Stevens talk about the enormous scope of our military aid to the Europeans. The Germans, for instance, spend 3.2 percent of their gross national product spent on defense. We spend an enormous amount of money, probably a score of millions of dollars in Germany to support them militarily. They do not have to spend as much, and in turn they use their moneys to compete with us in international trade. The Japanese are pushing approximately 1 percent of their gross national product on defense, and with the 5 percent that they save—compared to the 6 percent of our gross national product spent on defense—they certainly can inject into their economy and make their goods much more competitive than ours. And so they take away a large part of our foreign trade.

So I am of a like mind with the Agriculture Department and the other remarks that are made here today: We have to be tough minded in this matter, and only in that way, in my judgment, are we going to obtain the goal of a fair trade environment in which we can live and compete very nicely and not have advantages that are not deservedly ours nor give advantages that should not be given.

The CHAIRMAN. Mr. Secretary, have you had any indications since your return home, that the EC is willing to negotiate a fair settlement of any of the 301 petitions? Have you had any indications?

Mr. LYNG. No, we have had no indications that they would like to settle 301 petitions either before or since the GATT ministerial meeting.

The CHAIRMAN. Any other questions, gentlemen, lady?

Senator HAWKINS. Is there not some linkage, you know, the Japanese are very anxious to sell Florida the bullet train.

Senator BOSCHWITZ. Say that again?

STATEMENT OF HON. PAULA HAWKINS, A U.S. SENATOR FROM FLORIDA

Senator HAWKINS. The Japanese are very desirous to sell to the State of Florida a bullet train that would run from Orlando to Tampa and then from Orlando down to Miami, the second leg. The Japanese have provided money for a study to see if it is feasible to run the train from Tampa to Orlando in order to carry tourists to Disney World. They are so interested, that they are financing the feasibility study. If I were paying for a feasibility study, I would prove that it was feasible that we put a train there. But those studies have yet to be completed, and when the Japanese representatives came to Florida, several other countries became interested also.

A representative came from Germany, another from France, others from Canada, in addition to railroad officials from Washington for the meeting. Just like Senator Dole was saying, the Japanese had 49 people in the audience to help promote our purchase of the Japanese train.

One of the comments I made was that if it is going to be built with private capital, that meant capital from the United States, particularly Florida. And much of our business resources in Florida comes from the citrus industry. I just made it clear to the Japanese representative sitting across the table that while we are interested in purchasing the Japanese train, I am not certain that we should talk to them about trains when they refuse to accept Florida citrus products. You know, he smiled and thought about it a little while, and said "You know, I understand this lady."

It seems to me that while we are talking about agriculture today, there are many products made by other countries as well as our own, which should be linked together in terms of trade, much like we would like to link citrus products and Japanese trains together.

Like the Japanese representatives, others could understand this concept of barter, it's just plain good business.

Senator BOSCHWITZ. As the Senator knows, the Japanese have rather extensive restrictions against citrus products.

Senator HAWKINS. Oh, sure. We may have one against Japanese trains also.

Senator MATTINGLY. The headlines that Mr. Lyng brought up in the European newspaper I think almost goes hand in hand with something that the Japanese made comments to us—I believe, Mr. Parsons, you were there—they made the comment that we should be patient. I do not think being patient is going to transcribe into action.

The United States is very passive, and we have had a lot of nonaction, but I think the package that you all are putting together at the Agriculture Department could very well be a solution to the first step in trying to create some fair trade. As we all discussed, who were at the GATT, that if we come home and do nothing, we can assure the European Community or the Japanese would be happy for us to do nothing. But when it transcends that, it has to

be translated into hopefully the agricultural package, hopefully not any pride of authorship or legality that I am trying to give to the Agriculture Department via the Agriculture Committee to allow you to use corn subsidies, I mean surpluses that we have, so that we can begin moving. Because I think if they see us moving, then we have an opportunity to make sure that they do roll back these illegal subsidies, both the agricultural and industrial products.

I think nonaction will just continue the problem.

Mr. LYNG. Mr. Chairman, I would like to mention that we have not quit. Ambassador McDonald, the Deputy Special Trade Representative, is in Japan today. And in the future negotiation with the Japanese on opening up these markets, including citrus. The GATT negotiations, interestingly enough, we have closely supported the Japanese. They have supported the U.S. situation completely. As a matter of fact, the Japanese Corn Minister who gave this talk said that no nation has opened their markets as much as Japan. That was the only time, during the whole time that I was there that, there was a visible snicker throughout the whole meeting.

Senator MATTINGLY. One way.

Mr. LYNG. But we had bilateral meetings with the Senators in my hotel room, talking about some of these matters with them. It is going to be a constant fight.

The GATT was an opportunity to redefine a whole set of rules that we could all abide by instead of having to do this on a bilateral basis over and over again. The GATT is worth quite a little bit. We should not walk away from it, but it is disappointing that we could not strengthen it to do all this fighting.

Investments: The Japanese will not allow us to invest. You will have a hard time trying to buy a train in Japan, but they do not think anything of coming over here. That was one of the clauses that we were trying to redefine or have redefined.

The CHAIRMAN. Senator Grassley.

Senator GRASSLEY. I had the opportunity to tour Germany and Austria a week before GATT, and I perceived from visiting with individual parliamentarians of those countries that the high agricultural export subsidies is creating a very embarrassing situation. They would welcome an opportunity to do something about it, but they find themselves incapable. They would almost rather not discuss it, but I felt that GATT would bring pressure to bear upon the parochial views of parliamentarians to accomplish what they do not have a political will to accomplish on their own. This could work the same way that the International Monetary Fund is able to bring pressure to bear upon Mexico and, in the last 5 years, upon Zaire and England and a couple of other countries to reform their budget and their spending and their economic policies, that the parochial politicians within those countries can accomplish.

So I would think if that attitude prevails in other European countries, and I think our problem is basically with the French, not with the European Community as a whole, then through international effort we can solve this problem that they cannot solve themselves, but that they do want to solve.

The Chairman. Well, thank you very much.

If there are no further comments, we stand adjourned.

[Whereupon, at 3:03 p.m., the committee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

I thank my colleagues for taking time from their busy schedules to attend this hearing on such short notice.

Last week at the urging of farm leaders and the White House I gave up spending the Thanksgiving holiday with my family in North Carolina to attend the Ministerial Conference of the General Agreement on Tariffs and Trade, or GATT.

This year's ministerial, the first to be held in 9 years, was especially important because of the increased protectionism and predatory practices being used by countries around the world. The world trading system is seriously threatened unless we can bring these export-subsidizing countries to the bargaining table to participate in meaningful and profitable negotiations.

Let me say at the outset that nobody in Congress more strongly rejects protectionism than I do. I believe in open and fair trade. But the key word is "fair." The European Economic Community might as well understand, now, that the U.S. Congress is not going to stand idly by in the face of predatory trade practices by the EEC or anybody else.

I make this observation as chairman of the Senate Committee on Agriculture, Nutrition, and Forestry. My assessment of the mood of Congress is that there is a clearly preceptible resolve in both the Senate and House of Representatives to deal with predatory trade practices of other nations.

I hope it will not be necessary, but we might as well get it out on the table: The existing situation is intolerable.

It is important to me to learn from members of this committee the degree to which you share my observations. I hope the presentations made by the witnesses today will assist us in formulating an effective agenda to deal with these issues.

We went to Geneva with the goal of getting the Europeans to agree to the establishment of a "work program" which would begin immediate negotiations to resolve these trade disputes. However, the EC delegation stubbornly refused even to discuss the question of export subsidies or to agree to subsequent discussions aimed at their elimination.

The communique which was finally agreed upon by the 88 Trade Ministers was a very watered-down statement which committed the signers only to "resist" the application of new protectionist measures. This agreement fell far short of what we had hoped to achieve. Yet the EC delegation later announced they would not even be bound by that insufficient statement.

In the sense that we were unable to obtain a reasonable agreement on the subject of foreign export subsidies, the GATT was a serious disappointment. However, I was encouraged by the results of many of the bilateral talks I held with trade representatives from various countries. These meetings gave me the opportunity to sit down face-to-face with the trade representatives and communicate to them my concern and the concern of the Congress about the present world trade situation. I found many of these people understood and supported the U.S. position that we must find a way to return to free and fair trade.

Our group, including Senator Grassley, Senator Mattingly, Dick Lyng and Leo Mayer, Jack Parsons of the National Corn Growers, and Bob Delano of the Farm Bureau, met with representatives of Australia and New Zealand, and found them to be staunch supporters of free trade for agricultural products. I was pleased with their vocal support of U.S. positions.

We also met with representatives of Canada, Brazil and Argentina, and found their support somewhat lukewarm. Brazil, for instance, provides price subsidies and tax rebates to their agricultural exporters, and, as such, are part of the problem.

The meeting with the Japanese was particularly profitable. We were very direct in delivering the message that their import quotas on American beef and citrus and the high tariff on tobacco simply must be relaxed.

The biggest disappointment, of course, was the response, or lack of response, from the European Economic Community. They simply refuse to talk about the reduction of their agricultural export subsidies.

I believe the time for talking is over. The Congress must take firm and decisive action to bring an end to these export subsidies. Now don't get me wrong—I'm not asking for protectionism that produces further trade restraints. As I said, nobody in Congress more strongly rejects protectionism than I do. But free trade must also be fair trade.

We have a number of options we can employ to demonstrate our resolve to bring an end to these predatory practices. The $90 million remaining of the Helms amendment funds could be used for direct subsidies and credit subsidies. These funds should be applied to commodities which are directly hurt by the EC subsidies.

Second, the Secretary of Agriculture should sell our huge surplus of dairy stocks on the world market. Then, proceeds from that sale could be used to add to the pool of funds for subsidies.

There are further actions the Congress could take to rectify this matter. We could review the most-favored-nation status of countries that employ predatory practices. Or, perhaps these countries should be declared ineligible for loans for the International Monetary Fund.

I am pleased that the men you see seated here at the table with me were able to come today. I am especially pleased that they were able to attend last week's GATT meetings and join me in delivering our stern message to the other member nations. I have asked them here today to report on their activities and impressions of last week's meetings. I look forward to hearing their analysis and suggestions for dealing with the issues we face.

STATEMENT OF HON. CHARLES GRASSLEY, A U.S. SENATOR FROM IOWA

If there is one overriding issue in world trade today, it seems to me it is the question of the relevance of the General Agreement on Tariffs and Trade. When GATT was established in 1947, the United States was supreme in technology, management skills, and productive capacity. Since that time, the structure of the world economy has changed dramatically, and developed and developing countries have become stiff competitors for our domestic and export markets. As a delegate to the GATT ministerial meeting, a majority of my time was geared to the impact the European Community (EC) export subsidy on agricultural products has on American farm exports. I came away extremely disappointed.

Although a special committee was established to conduct a two-year study on the impact of export subsidies, no recommendations will be forthcoming until 1984. And even though this concession required a unanimous endorsement by GATT members, Wilhelm Haferkamp, vice president of the common market's policymaking commission, stated emphatically that endorsement of the document was not a commitment to any new negotiations or obligations in relation to agriculture.

Unfortunately, this strong stance does nothing but pave the way for further escalations between the United States and Europe, not only in the area of agriculture but also in other non-agricultural related exports. The task of our political leadership is to understand the gravity of the position we are in and to begin to shape a trade policy that makes sense for our farmers, our industries, and our trading partners in the 1980's. It must, however, be a policy which the American people can believe and our trading partners can be convinced is in their best interest as well as ours.

It is apparent to me, however, that we as a government cannot solve this problem internally.

Therefore, I wrote to the President yesterday suggesting that he immediately call together a bipartisan group of this country's brightest political, business, labor, and farm leaders, along with members of the academic community to set an economic and trade agenda for this Nation in the 1980's.

I believe the President can take an important first step in defusing pressure for unwise executive or legislative action, with possible dire consequences globally, by calling for a Domestic Economic and Trade Summit. I will also be asking my colleagues in the Congress to support this proposal.

There is certainly no shortage of challenges that face us in the 1980's. However, when the American people have been put to the task they have no shortage of creative solutions to those challenges. I now call upon those creative minds from whence they will come to help us resolve a growing crisis in our imbalance of trade.

U.S. SENATE,
Washington, D.C., December 1, 1982.

DEAR COLLEAGUE: As a participant in the recent ministerial talks in Geneva on the General Agreement on Tariffs and Trade (GATT), I returned to my duties in the Senate totally dismayed with the lack of cooperation and understanding evidenced by America's trading partners. They appear convinced that our protests against massive export subsidies and trade barriers amount to nothing more than empty gestures and political posturing. Unfortunately, much of this perception is based upon our failures in the past to actually pursue protests and threats with meaningful action.

Because of our inability to secure any reasonable commitment from our trading partners, I have introduced S. 3049, The Poultry and Egg Export Equalization Plan. This measure will provide the Secretary of Agriculture with an additional mechanism to help the hard-pressed American poultry and egg industries combat unfair trade practices in the world market. S. 3049 very simply allows the Secretary to make corn from CCC storage available to producers at less than the currently mandated release price for the purpose of increasing export sales.

I know you share my concerns regarding this critical problem. None of us relishes the prospect of a bitter trade war with our world neighbors. However, we must take firm action to provide relief for our Country's farm producers and help restore vitality to the agricultural sector of our economy. The action proposed in this legislation is entirely consistent with GATT provisions which allow us to regain a more equitable share of world export trade.

I am enclosing a copy of the bill and trust that I can count on your support for its expedited passage. To join as a cosponsor or to secure more information, please contact Cliff Humphrey of my staff at 224-3643.

Sincerely,

MACK MATTINGLY.

Enclosures.

[S. 3049 97th Congress, 1st session]

A BILL to authorize the Secretary of Agriculture to make available stocks of corn of the Commodity Credit Corporation to poultry and egg producers in the United States in order to encorage the development of export markets for poultry

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law, in order to encourage and facilitate the expansion and development of export markets for poultry and eggs produced in the United States, the Secretary of Agriculture may make available to poultry and egg producers in the United States supplies of corn owned by the Commodity Credit Corporation. The Secretary shall make such corn available in such quantities and under such terms and conditions as he determines appropriate.

[News release from Mack Mattingly of Georgia, Nov. 30, 1982]

MATTINGLY PROPOSES EXPORT ENHANCEMENT LEGISLATION

WASHINGTON, D.C.—Senator Mack Mattingly (R-GA), a delegate at the recent 88 nation General Agreement on Tariffs and Trade Conference in Geneva, today introduced legislation designed to increase U.S. agricultural exports.

"I propose a targeted program that uses domestic surplus commodities to offset the advantage that foreign governments give their exporters," Mattingly said. "This program will entail the distribution of surplus corn to poultry and egg producers."

"Under the plan, each ton of poultry and eggs for export will qualify our domestic producer for a proportionate amount of surplus corn currently held by the Commodity Credit Corporation. This will reduce production costs to the poultry and egg producer and enable him to meet unfair overseas competition," said Mattingly.

The Georgia Senator noted the U.S. share of the broiler export market had decreased dramatically in recent years as a result of competition from subsidized foreign producers. "This will place American broiler and egg producers on an equal footing with their foreign competitors, who now have an unfair advantage in foreign markets due to the export subsidy practices of their governments," said Mattingly.

"We have tried to solve the subsidy problem within the context of the GATT process by formally complaining to countries that engage in these practices," Senator Mattingly said. "We also used the occasion of the GATT Ministerial Conference to call for a multilateral commitment to reduce export subsidies over a reasonable period of time. These efforts have led us to a dead end and the time is now here for

unilateral action. The proposal I am making is within our rights and obligations under the GATT."

"While this action involves government intervention in the marketplace, which is distasteful to me personally and the American poultry and egg producers, there is now no other alternative. We have exhausted all other possibilities. The only other choice is to withdraw from the world market—a totally unacceptable solution," said Mattingly.

STATEMENT OF HON. LARRY PRESSLER, A U.S. SENATOR FROM SOUTH DAKOTA

I would like to commend the Agriculture Committee for holding these timely hearings and for giving me an opportunity to present my views.

Having worked on the General Agreement on Trade and Tariffs at the State Department before coming to Congress, and having closely followed negotiations and meetings on GATT, I was not surprised by the little attention given agricultural trade at the recent GATT ministerial meeting in Geneva. Since the inception of GATT in 1948, agricultural trade has always taken a back seat in these negotiations. There continue to be numerous violations of GATT by foreign nations which use export subsidies and impose various trade barriers.

The European Community is guilty of following several unfair trade practices which are harmful to U.S. producers. In the spring of 1981, I presented a paper on these barriers to international agricultural trade at a meeting of the North Atlantic Assembly. In the paper, I highlighted four matters of concern to American farmers and the U.S. government. The concerns included: (1) The EC's grain export policy; (2) The EC's soybean and vegetable fats and oils import policies; (3) The EC's corn gluten import policy; and (4) The EC's beef import quota system. All of these are examples of unfair trade practices used by the Europeans.

Specifically, the EC's grain export subsidy program gives European products an unfair advantage on the world market and has allowed them to displace the U.S. as a supplier of grain to several foreign markets. Currently, the EC subsidizes their wheat exports at a rate of $1.77 per bushel, which allows them to underprice other grain exporters. The United States has objected to this policy for years and filed complaints under GATT, but the EC continues to use these policies.

Japan also has several policies which unfairly restrict U.S. farm product exports to Japan. The Japanese have a very restrictive beef inspection system which prohibits most U.S. meat packers from exporting to Japan and also dramatically increases the retail price of beef, thus sharply limiting demand. These restrictions are in addition to Japan's general annual beef quota. These restrictions and the Japanese price markup more than double the cost of beef to the Japanese consumer. The U.S. has made numerous attempts to reduce these restrictive trade barriers with little success.

The General Agreement on Trade and Tariffs was established to liberalize trade and provide a method to resolve trade disputes. The agreement has not materially liberalized agricultural trade or resolved outstanding trade disputes. The recent ministerial meeting in Geneva resulted in the establishment of a committee to study export subsidies for two years and report to GATT in 1984. The agreement does not assure any action to reduce export subsidies and the EC nations made it clear that they do not intend to eliminate their export subsidy program. It is obvious that GATT is incapable of dealing with these complex international trade issues in a manner that will protect U.S. farm producers from unfair trade practices.

Several actions need to be taken now in an effort to liberalize agricultural trade. These actions include:

The Administration should emphasize that the U.S. will retaliate against these trade policies. This could be accomplished through a world trade summit.

Programs to allow the U.S. to compete with export subsidies and other policies should be authorized to provide the Administration with a strengthened negotiating position. The blended credit program is an example of the type of program that is needed.

As a last resort, the U.S. should implement these programs and place our surplus on the world market to compete with EC subsidized exports. The proposal to place surplus U.S. dairy products on the world market should be implemented.

The U.S. should retaliate against Japanese import restrictions by placing similar restrictions on Japanese products exported to the U.S., as I advocate in S. 2368.

It is clear that the U.S. must take some action to resolve the international trade problem. We can no longer allow foreign products to flow freely into the U.S. while our products are restricted from entering other nations. Americans, especially the

American farmers, can compete with anyone on an equal basis, but we cannot compete against multiple unfair trade policies.

Thanks again for the opportunity to testify before the Agriculture Committee and I look forward to working with you to resolve the international trade issues.

[The following letters were submitted by Mr. Parsons, see p. 21 for oral reference.]

National Corn Growers Association,

Washington, D.C., December 2, 1982.

Hon. DANIEL ROSTENKOWSKI,
House of Representatives,
Washington, D.C.

DEAR MR. ROSTENKOWSKI: The National Corn Growers Association urges you and your colleagues on the Committee on Ways and Means of the House of Representatives to include an exception, similar to the Senate version of this proposed legislation, that would increase the motor fuels tax by 5 cents per gallon for alcohol fuels produced from agricultural products. The current federal alcohol incentives in conjunction with the incentives in 34 states have contributed significantly to the development of a viable alcohol fuels industry in the United States. The most cogent arguments for the inclusion of an exception for alcohol fuels in motor fuels are the following:

Provides for genuine incentives for substantial increases in employment in the construction, operation and ancillary activities of grain alcohol processing facilities.

Increased utilization of corn by the alcohol fuels industry that could result in a 50-cent increase per bushel of corn.

Increased domestic demand for corn in the alcohol fuels industry, a market that would neither be subject to displacement by unfair subsidized foreign competition nor disrupted by export embargoes.

Minimize the federal outlays and expenditures for domestic price support programs inasmuch as the U.S. Department of Agriculture will expend about 50 cents to 80 cents per bushel annually as the cost of government storage, interest and associated costs.

Minimize the federal expenditures to farmers not to produce corn and grain, which is approximately 75 cents per bushel for corn under the 1983 reduced acreage program.

Reduce substantially the prospect of a sizable federal outlay for grain deficiency payment in 1982/83, which could run as high as 21 cents per bushel for corn, by raising market price through demand.

The best estimate for federal outlays and expenditures in 1982/83 for the set-aside and storage programs for grain is about $3 billion.

Reduce the U.S. declining dependence on foreign petroleum imports and provide additional safeguards against any future petroleum export embargoes against the United States.

Continue the leadership role of the federal government in establishing and implementing a uniform federal policy on alcohol fuels in the 1980's.

U.S. corn farmers urge you and your colleagues to adopt the position of the National Corn Growers Association inasmuch as it will benefit the entire U.S. economy. The major and most immediate benefit to result from exempting alcohol fuels from the additional motor fuels tax will be increased jobs and permanent employment—particularly in the middle western states, all of which will improve the economic situation while developing a more viable federal and state tax base. The proposed exemption for alcohol fuels would be the most significant step that Congress could take toward restoring profitability to agriculture as well as moving America toward greater energy independence. To adopt the position of the National Corn Growers Association will be consistent with the support for it that was expressed by Governors Thompson, Ray and Orr in their letter of November 30, 1982, to you.

Sincerely yours,

JACK PARSONS, *President.*

NOVEMBER 30, 1982.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C. 20515

DEAR MR. CHAIRMAN: As a result of conversations with the National Corn Growers, we are writing to share with you our support for the extension of the national

federal tax exemption for alcohol fuels to include the proposed 5 cents-per-gallon increase in the motor fuels excise tax currently under consideration by Congress. Such a policy could lead to the development of significant new markets for our depressed agricultural industry and could stimulate revitalization of American industry creating not only thousands of construction jobs but thousands of permanent jobs throughout the economy. Our support for this policy is in addition to our strong support for the federal motor fuel tax increase to fund transportation programs.

Since the recent popularity of alcohol fuel use, 34 governors and state legislatures have acted independently to provide state incentives beyond the existing federal incentives. Furthermore, the National Governors Association is on record supporting the development of alternative energy and the conversion of U.S. agriclutural products into value-added products using American jobs and American industry.

We support the efforts of the National Corn Growers Association to continue the national policy on this issue and stand ready to support this position.

Respectfully,

GOVERNOR JAMES R. THOMPSON,
State of Illinois.

GOVERNOR ROBERT ORR,
State of Indiana.

GOVERNOR ROBERT D. RAY,
State of Iowa.

[The following was submitted by Senator Helms.]

This packet contains statements made by Members of the U.S. delegation at the GATT meeting; correspondence from Senators to foreign officials asking for action to rectify the problems in agricultural world trade; charts documenting the level of E.C. export subsidies; and articles from European newspapers reporting on this international trade problem.

STATEMENT BY HON. WILLIAM E. BROCK, U.S. TRADE REPRESENTATIVE TO GATT MINISTERIAL MEETING, GENEVA, NOVEMBER 24, 1982

There is only one solution for recession—growth.

There are many ways to stop growth—tariffs, nontariff barriers, illegal subsidies, and other forms of protectionism.

There is only one multilateral system for the establishment of trading rules—the GATT.

The purpose today is and must be to nurture and sustain the GATT in a time of great difficulty for all nations.

A few specific steps forward can make this possible.

First and foremost we must recommit our nations to a liberal open trading system. This requires a strong pledge not to take GATT-illegal actions despite the enormous political and economic pressures facing each of us. It also requires a commitment to roll-back, over time, existing GATT-illegal actions. The present text represents a substantial step in this direction, one which I welcome.

Political commitments, however, will have a hollow ring unless accompanied by operational agreements on safeguards and dispute settlement. We have been working on these problems for too long without resolution. The time has come to agree on the major elements of a safeguard agreement, or we will jeopardize the trading system. With respect to dispute settlement, progress has been made, but we can do more, much more. And we must.

Third, the question of agricultural conflicts troubles all here. The key issues concern quotas, waivers and export subsidies. These issues must be addressed. In particular, we must give priority and expedited attention to export subsidies which threaten to draw us into wasteful and dangerous competition. We must seek to develop an approach which will permit each nation to pursue its own agricultural policies, while requiring fair and equitable international competition. We have seen evidence of a willingness to seek improvements. We must translate that into a work program that will give the subsidy issue the required priority.

For the continued health of the GATT, it is imperative that we study issues yet to come—or we will be unprepared to deal with them. In the coming decade accelerated growth in services and high-technology industries will see enormous numbers

of new jobs. Many of these jobs will depend on trade, and will materialize only if we can avoid the introduction of new barriers.

We propose that we study them, without any commitment or pre-condition.

Finally, no system can survive without equal protection and equal opportunity—for all its participants. We have to ask ourselves if this is the case today.

In recent years, world commodity prices have collapsed, debt-service requirements have exploded, inflation has run rampant, recession has reduced sales, barriers have crept higher, and energy costs have soared. All have been hurt—none more so than developing countries. For many the situation is almost desperate.

There are answers. They are not quick, not always painless, but there are answers. Developed nations must keep their markets open. Developed and developing countries alike must act together to strengthen multilateral discipline on a mutually beneficial basis. In order to achieve this we must develop necessary approaches for strengthening commitments in North-South trade. This is not simply a moral need, it is an economic imperative.

I can recall an old fable of a king with an invisible suit of clothes. All his court praised his beauty, but it was a little child who proclaimed "the king has no clothes."

It will be clear to all citizens whether we have clothed the trading system with integrity, political commitment, strong procedures, and a program for the future.

I pledge to you my willingness to negotiate, to consider alternatives, to compromise, and to listen as we attempt to bring these questions to a resolution.

I cannot pledge to accept failure, and call it something else. Our collective stake in this system is too high. We must succeed.

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., September 24, 1982.

Hon. ZENKO SUZUKI,
Prime Minister of Japan, 2-1 Kasumigoseki, 1-Chome, Chyoda-KU, Tokyo 100, Japan.

DEAR MR. MINISTER: I take the liberty of writing directly to you on a matter of serious concern to the future of trade relations between our two nations.

For some years, the U.S. tobacco industry has sought the opportunity to compete in Japan in a fair and equitable way. Despite repeated representations by U.S. Government authorities and the industry, highly discriminatory practices remain in force—a punitive tariff system, as well as severe restrictions on the distribution of U.S. manufactured cigarettes by the Japan Tobacco and Salt Public Corporation.

The combined effect of the import duty and price formula (which includes a 56.5 percent domestic tax) significantly hampers market penetration by effectively raising the duty rate to 103 percent on the U.S. product. Consequently, our market share amounts to a paltry 1.4 percent—extremely low by any comparable Free World standard.

It is my belief that import tariff on cigarettes in Japan should be eliminated. As long as U.S. cigarette companies are prohibited from manufacturing within Japan, there is no legitimate reason to impose a tariff against a primary U.S. industry.

Regarding the matter of distribution, I would like to draw your attention to the fact that while the JTS has recently agreed to increase distribution on imported products, they claim it will take until 1986 to fully implement distribution. Frankly, I feel this is more a matter of will than ability, and respectfully suggest that you give the matter serious consideration with a view to shortening or eliminating this period entirely.

My primary interest in this matter is to ensure that the U.S. and Japan will both continue to prosper through free trade. You are also no doubt aware of the fact that I represent North Carolina, where the tobacco industry is a vital economic matter and a Proud Tradition.

Sincerely,

JESSE HELMS, *Chairman.*

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C. November 12, 1982.

Hon. JOHN R. BLOCK,
Secretary of Agriculture, U.S. Department of Agriculture, Office of the Secretary, Washington, D.C.

DEAR MR. SECRETARY: I could not be more pleased with the success you have had with the blended export credit program, and I hope you can be persuaded to follow-

up on this success by taking further actions to obtain the most effective utilization of the funds mandated by Congress for export enhancement.

As you know, effective August 1, 1982, the European Economic Community increased their subsidies on shell eggs to 11½ cents per dozen. These export subsidies directly jeopardize American exports of eggs and egg products. U.S. producers simply cannot tolerate such predatory and non-competitive practices by foreign countries.

I am aware of the firm stand you have taken against these practices, and hope that you will agree with me that the direct use of a portion of the Helms amendment funds to counter these EEC egg subsidies would allow more equitable competition, would expand value-added U.S. farm exports, and would indicate to the Europeans that we intend that the tools we have to combat their unfair practices be utilized to their maximum effectiveness.

The United Egg Producers, a federation of egg marketing cooperatives, has developed a proposal which is estimated to triple exports of fresh eggs with the use of $13 million in export funding. It is my understanding that you have a copy of the UEP proposal. I urge you to give earnest consideration to utilizing a portion of the funds you have remaining in the Helms amendment account for the UEP proposal.

This is not only important for the positive benefit it will bring to the U.S. egg industry, but it will be a valuable tool in our diplomacy. I just don't believe the EEC and others that use predatory export subsidies will take seriously the U.S. position against such subsidies unless we unequivocally demonstrate a determination to "fight fire with fire" if need be.

I intend to carry this message to the GATT Ministerial in Geneva later this month, and very frankly, I need the support your approval of the UEP proposal would provide.

Certainly, if there is not satisfactory progress made at the GATT Ministerial, I will feel even stronger that the remaining export funds should be used directly for specific commodities—such as eggs and poultry—to counter specific foreign subsidies. It is my thinking that a timely use of a portion of the funds would increase the opportunities for success in Geneva.

Many thanks for your cooperation.

Sincerely,

JESSE HELMS, *Chairman.*

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., August 23, 1982.

Hon. JOHN R. BLOCK,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: As you know, Subtitle D, section 135 of the Omnibus Reconciliation Act of 1982 mandates the expenditure of between $175–$190 million for export promotion activities. As the author of this provision, I have strong feelings about the need for this legislation, and am interested in seeing that it is implemented in the most effective manner.

The Conference report and other legislative history are clear in their intent that the Administration utilize these funds for an interest buy-down program, direct export credits, and/or a subsidy program.

It is my understanding that the inherent additionality of interest buy-down programs or a direct subsidy program is six to seven times that which can be obtained through a direct credit sales program. To most effectively employ the available funds, it seems that the Department should emphasize either an interest buy-down or an export subsidy program, rather than the direct credit exports provision as it seeks to implement this provision.

Congress has become increasingly frustrated over the continued use of export subsidies by our trading partners. There are ample grounds for the frustration and disappointment because of the lack of tangible results in achieving meaningful reduction in subsidies by the European Economic Community and other nations, despite good faith negotiations on the part of the Administration to accomplish this goal.

Because of the damage inflicted upon U.S. agricultural export sales from foreign export subsidies, the office of the U.S. Trade Representative has accepted petitions under Section 301 of the Trade Act of 1974 for wheat flour, poultry, pasta, canned fruit and raisins, citrus, and sugar. Additional petitions for such commodities as eggs, and possibly others, may be forthcoming as long as there is no resolution to the complaints.

Because of the unwillingness of the European Economic Community to reduce their export subsidies and my disappointment in the effectiveness of the GATT process, it seems vital to U.S. interests that export subsidies and credit buy-downs, as provided for in the reconciliation bill, be implemented forthwith so as to demonstrate a firm U.S. resolve that the EEC desist from their predatory trade practices.

I appreciate your cooperation.

Sincerely,

JESSE HELMS, *Chairman.*

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., May 28, 1982.

Hon. DONALD DEKIEFFER,
General Counsel, Office of the United States Trade Representative,
Washington, D.C.

DEAR MR. DEKIEFFER: The American poultry industry deserves relief from the unfair and illegal export subsidy practices of the European Economic Community.

Subsidies paid by the E.E.C. to its poultry exporting firms amounted to nearly $100 million in 1981, a considerable increase from the $3.5 million paid in 1967. These subsidies jeopardize American poultry exports in specific important markets. It is high time the E.E.C. be challenged.

I commend the Special Trade Representative for accepting the petition seeking relief from the E.E.C.'s unfair practices. The petition was filed by the North Carolina Poultry Federation, and the National Broiler Council, among other groups, on September 17, 1981; and on November 1, 1981, the USTR accepted it. The firm stance you have already taken with the European Economic Community and other trading partners is greatly appreciated.

However, on May 1, 1982, the E.E.C. again increased their subsidies on poultry products as part of their continuing adjustments in export refunds. This is another reminder of the flagrant unfair trade practices carried out by the E.E.C.

At the same time, the tonnage of whole broilers exported from the U.S. in the first quarter of 1982, was actually down 32 percent from the first quarter of 1981. This is due, in part, to the non-competitive practices of other nations.

I encourage you to take firm and timely action within the framework of the subsidies code of the General Agreement on Tariffs and Trade to remedy their unfair subsidization by our competitors.

Sincerely,

JESSE HELMS, *Chairman.*

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., April 15, 1982.

Mr. POUL DALSAGER,
Commissioner for Agriculture,
200 Rue de Lu Loi, 1049 Brussels, Belgium.

DEAR COMMISSIONER DALSAGER: We were pleased to meet with you when you were in Washington earlier this year and were grateful for the opportunity to discuss our mutual trade concerns.

However, we are surprised, disappointed and deeply concerned, by the European Economic Community Commission's request for authority from the EEC Council of Ministers to renegotiate the zero duty binding on corn gluten feed.

Considering that you had the opportunity to learn of the concerns of the members of the Senate Committees on Agriculture, Foreign Relations, and others at recent meetings, we find the Commission's action all the more surprising.

The undersigned chair the Senate Committees on Agriculture, Foreign Relations, and Finance, which have jurisdiction over foreign relations, agriculture and trade and tariff issues.

We have worked for many years to expand the international trading system so that Americans and Europeans would have access to the lowest-priced goods and services that each has to offer. In fact, it is this principal that has been the foundation of our international economic relations for over thirty years.

We want to assure you that our farm economy simply cannot tolerate any additional restrictions on foreign market access. We will strongly resist and react to any unilateral attempt to restrict U.S. corn gluten feed exports to the EEC.

As an indication of our resolve, we have introduced a resolution this week expressing our displeasure with the Commission's recommendation. The intent of the Resolution is to convey to President Reagan the widespread concern in Congress re-

garding trade access for U.S. agricultural exports. A copy of the resolution is enclosed for your information.

The Senate took up our resolution on April 15 and passed it unanimously. The resolution urges the President to notify the Commission that the renegotiation of this duty binding is contrary to the best interests of the United States.

The resolution underscores the belief in the Senate that the United States has paid for the zero duty binding with concessions in the Kennedy Round of Negotiations under the General Agreement on Tariffs and Trade. The imposition of a tariff combined with current EEC agricultural trade practices would seriously injure American farmers and is therefore unacceptable to the United States.

In addition, restrictions on corn gluten would impact negatively on U.S. soybean exports, undermine the free trading system currently covering these commodities, and jeopardise U.S.-EEC diplomatic relations.

We sincerely hope that the Council will recognize the potentially adverse consequences of the Commission's recommendations and that the EEC will refrain from adopting this measure and move toward positive efforts to resolve our mutual agricultural trade problems.

Sincerely,

BOB DOLE.
JESSE HELMS.
CHARLES PERCY.

Enclosure.

EC Export Restitutions (Subsidies)
$/Metric Ton, Monthly Average
(Maximum Restitutions)

	Wheat	Barley
June, 1980	103	99
July	91	84
Aug.	73	67
Sept.	68	62
Oct.	58	42
Nov.	52	46
Dec.	56	44
Jan. 1981	66	51
Feb.	57	49
March	69	53
April	72	59
May	71	59
June	70	57
July	63	44
Aug.	46	21
Sept.	50	23
Oct.	59	40
Nov.	59	54
Dec.	64	46
Jan., 1982	64	38
Feb.	65	41
March	65	41
April	65	41
May	69	--
June	67	--
July	66	53
Aug.	68	62
Sept.	70	61
Oct.	75	65

SOURCE: U.S. Department of Agriculture

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EC Broiler Restitution Prices
$/100 KG

April 14, 1980-Oct. 7, 1980	26.68
Oct. 8, 1980-Dec. 8, 1980	24.18
Dec. 9, 1980-April 8, 1981	18.48
April 9, 1981- Jan. 31, 1982	14.60
Feb. 1, 1982-May 1, 1982	17.17
May 1, 1982-Aug. 1, 1982	18.00
Aug. 1, 1982-Setp. 19, 1982	18.15
Sept. 20, 1982	19.27

SOURCE: U.S. Department of Agriculture

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US AND EC SUPPORT PRICES, 1981/82 AND 1982/83

Commodity	Unit	U.S. Support Price 1/ 1982/83	EC Support Price 2/ 1981/82		EC Support Price 2/ 1982/83
		($)	(ECU's)	($) 3/	($) 3/
Wheat	MT	148.63	192.72	233.19	209.10
	Bushel	4.05	5.25	6.35	5.70
Barley	MT	119.35	165.23	199.93	179.27
	Bushel	2.60	3.60	4.36	3.90
Corn	MT	106.38	165.23	199.93	179.27
	Bushel	2.70	4.20	5.08	4.55
Rice (paddy)	MT	239.20	259.42	313.90	290.55
	100 lbs.	10.85	11.77	14.24	13.18
Soybeans	MT	184.23	462.60	559.75	527.40
	Bushel	5.02	12.59	15.23	14.35
Rapeseed	MT		379.10	480.49	421.30
	100 lbs.		18.01	21.79	19.11
Milk	100 kgs.	28.88	24.26	29.35	26.81
	100 lbs.	13.10	11.00	13.31	12.16
Nonfat dry milk	100 kgs.	207.23	132.45	160.26	146.23
	100 lbs.	94.00	60.08	72.70	66.35
Butter	100 kgs.	330.69	317.84	384.59	349.70
	100 lbs.	150.00	144.17	174.45	158.67
Cheese	100 kgs.	307.54	309.17	374.10	339.51
	100 lbs.	139.50	140.24	169.69	154.04
Sugar (White)	100 kgs.		46.95	56.81	51.41
	100 lbs.		21.30	25.77	23.33
Eggs	100 kgs.		118.93	143.91	N/A
	Dozen 4/		84.68	102.46	
Broilers	100 kgs.		147.60	178.60	140.45
	100 lbs.		66.95	81.01	63.70
Cattle	100 kgs.		172.82 5/	209.11	191.87 5/
	100 lbs.		78.39	94.85	87.03
Hogs	100 kgs.		172.45	208.66	178.74
	100 lbs.		78.22	94.65	81.08

(footnotes on next page)

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Footnotes

1/ US support prices are target prices for wheat, barley, corn and rice; loan rate for soybeans and sugar; support price for manufacturing milk containing 3.5% fat; CCC purchase price for nonfat dry milk (not fortified), butter (bulk, Chicago) and Cheddar cheese (blocks) beginning October 1.

2/ EC support prices are intervention prices for barley, corn, rice, rapeseed, nonfat dry milk, butter and sugar; reference price for milling quality wheat; threshold price for Cheddar cheese; target price for milk; gate price plus basic levy for quarter beginning Aug. 1, 1981 and 1982 for eggs, broilers (70% chickens), and hog carcasses; orientation price for cattle; guide price for soybeans.

3/ Converted 1981/82 prices at 1 ECU = $1.21 and 1982/83 prices at 1 ECU = $1.00, the average values for the ECU at the beginning of April, 1981 and the first three weeks of June, 1982.

4/ 0.712 kgs. per dozen.

5/ Support price in effect at start of marketing year through Dec. 6, 1981 and Dec. 5, 1982. Prices applicable during the rest of the time are as follow, in ECU/100 Kg.

12/07/81 - 04/04/82 = 176.84 (This price level was then extended through 05/18/82)
12/06/82 - 04/04/83 = 196.29

COMPARISON OF EC MINIMUM IMPORT PRICES AND AVERAGE THIRD-COUNTRY OFFER PRICES

Commodity	Year	EC minimum import price (ECU/100 kg) A.	Third-country offer price, normally lowest available (ECU/100 kg.) B.	Column A divided by Column B (in %) C.
Soft Wheat	1968/69	13.24	6.78	195
	1974/75	15.70	14.64	107
	1975/76	17.41	14.04	124
	1976/77	18.98	9.28	204
	1977/78	19.72	9.14	216
	1978/79	20.23	10.50	193
	1979/80	20.72	12.69	163
	1980/81	21.93	15.07	146
Husked Rice	1968/69	23.02	16.67	138
	1974/75	28.80	35.69	81
	1975/76	32.51	23.76	137
	1976/77	35.35	21.24	166
	1977/78	36.72	28.75	128
	1978/79	37.35	23.75	157
	1979/80	39.15	29.88	131
	1980/81	41.67	41.51	100
Corn	1968/69	11.59	6.52	178
	1974/75	13.93	13.18	106
	1975/76	15.84	12.39	128
	1976/77	17.26	10.60	163
	1977/78	18.12	8.93	203
	1978/79	18.40	9.14	201
	1979/80	18.86	9.92	190
	1980/81	19.96	13.55	147
White Sugar	1968/69	27.02	7.60	355
	1974/75	33.28	80.52	41
	1975/76	38.75	35.63	109
	1976/77	42.16	24.00	176
	1977/78	41.78	16.38	255
	1978/79	42.62	15.46	276
	1979/80	43.26	33.32	134
	1980/81	45.55	53.58	85
Beef & Veal (live animals)				
	1968/69	82.21	48.65	169
	1974/75	115.47	72.07	162
	1975/76	133.41	84.40	158
	1976/77	143.55	74.75	192
	1977/78	148.58	75.86	196
	1978/79	152.29	76.47	199
	1979/80	154.58	75.63	204
	1980/81	160.76	84.75	190

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Commodity	Year	EC minimum import price (ECU/100 kg) A.	Third-country offer price, normally lowest available (ECU/100 kg.) B.	Column A divided by Column B (in %) C.
Butter	1968/69	230.83	45.82	504
	1973/74	232.52	72.63	320
	1974/75	236.58	74.76	316
	1975/76	264.19	82.49	320
	1976/77	292.25	72.92	401
	1977/78	303.91	78.42	388
	1978/79	309.17	76.71	403
	1979/80	309.90	75.39	411
	1980/81	319.59	111.73	286
Skimmed-milk powder (spray)				
	1968/69	61.63	16.86	365
	1973/74	93.80	60.11	156
	1974/75	113.98	81.85	139
	1975/76	123.19	46.24	266
	1976/77	128.57	22.52	571
	1977/78	133.13	26.92	494
	1978/79	135.23	29.52	458
	1979/80	135.54	35.77	379
	1980/81	139.00	68.14	204

Source: The Agric. Situation in the Community.

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CCC DAIRY STOCKS AND DAIRY PRODUCT VALUES

AS OF 10/22/82

	CHEESE (mil. lbs.)	NFDM (mil. lbs.)	BUTTER (mil. lbs.)
CCC Stocks 1/	798.4	1,203.7	401.2
World Demand (1982 Estimate)	3,000.0	2,982.8	2,526.5
	U.S. Dollars/Pound		
Average CCC Purchase Price	1.474	0.926	1.484
World Mkt. Price	0.75-.79	0.41-.43	0.91-.92
Current CCC Purchase Price	1.39	0.94	1.50
	Million Dollars		
U.S. Support Price Value Of CCC Stocks	1,176.8	1,114.6	595.4
World Market Value Of CCC Stocks	618.8	505.6	367.1
Amount of Subsidy Needed To Market CCC Products On The World Market 2/	558.0	609.0	228.3
Estimated Cost Of Storage, Handling, Etc. During 1983	52.0	23.0	28.0
Net Minimum Cost Of Subsidy To U.S. Govt.	506.0	586.0	200.3

1/ Uncommitted inventories - those inventories not destined for child nutrition or other domestic distribution programs
2/ Difference between CCC purchase price and world price

STATUS OF 301 ACTIONS

Unfair EC trade practices, including aggressive use of export subsidies, production and processing subsidies and illegal preferential tariffs, have given rise to several complaints being filed under Section 301 of the Trade Act of 1974 by U.S. producers. The status of the complaints is summarized below:

Canned Fruits and Raisins: The U.S. processed fruit industry 301 petition alleges that EC production subsidies for canned peaches, canned pears and raisins impair EC tariff concessions to the U.S. and restrain U.S. exports of these products to the EC. After unsuccessful consultations under GATT Article XXIII, the U.S. requested a panel. The panel has begun to review the case and will meet on September 29.

Pasta: The 301 petition filed by the U.S. National Pasta Association alleges that EC export subsidies on pasta violate Article 9 of the Subsidies Code which prohibits subsidies on non-primary products. The EC claims that they are legally subsidizing only the primary ingredient (wheat) in the pasta. A panel, requested by the U.S., has begun to review the case and will meet again on October 8.

Citrus: In 1976, the U.S. citrus industry filed a 301 petition alleging that tariff preferences granted by the EC to Mediterranean citrus suppliers were inconsistent with GATT and represented a barrier to U.S. exports of citrus to the EC. Efforts to resolve this issue in the MTN, through bilateral consultations and consultations under GATT Articles XXII and XXIII have been unsuccessful. The EC contested the U.S. request for a panel, and under the direction of the GATT Director General, the U.S. and EC are making a final attempt at conciliation before a panel is established at the October 1 GATT Council meeting.

Wheat Flour: In 1975, the U.S. wheat flour industry filed a 301 petition charging that the EC used export subsidies that were excessively high and allowed material price undercutting in third country markets. The U.S. and EC have had technical discussions and consultations under GATT Article XXII and the Subsidies Code. A panel, requested by the U.S. in December 1981, has reviewed the case and is expected to give its recommendations in early October. The U.S. is opposing EC requests for another panel meeting.

Poultry: The poultry 301 case, charging the EC with using export subsidies to undercut prices and to gain a more than equitable share of world trade, has been complicated by the EC argument that Brazilian subsidized poultry exports are a major factor in U.S. market displacement. Because of this, proceeding to conciliation with the EC was postponed while Brazil's position in the market is being investigated. Informal consultations were held with Brazil on August 30 to discuss their subsidy system, the possibility of a bilateral solution, or their willingness to join in informal trilateral consultations with the EC. On September 14, Brazil responded that it had no interest in participating in trilateral discussions. The U.S. has now requested formal consultations with Brazil under Article 12 of the Subsidies Code.

Sugar: The sugar 301 petition charges that subsidized EC sugar exports have displaced U.S. exports in third countries and depressed the world market price thereby depressing the U.S. market price. Consultations and conciliation talks with the EC held under the provisions of the Subsidies Code have been unsuccessful. The U.S. has deferred requesting a panel to review this case until some of the controversies surrounding the new U.S. sugar program have been settled; discussions will continue bilaterally.

FAS-September 27, 1982

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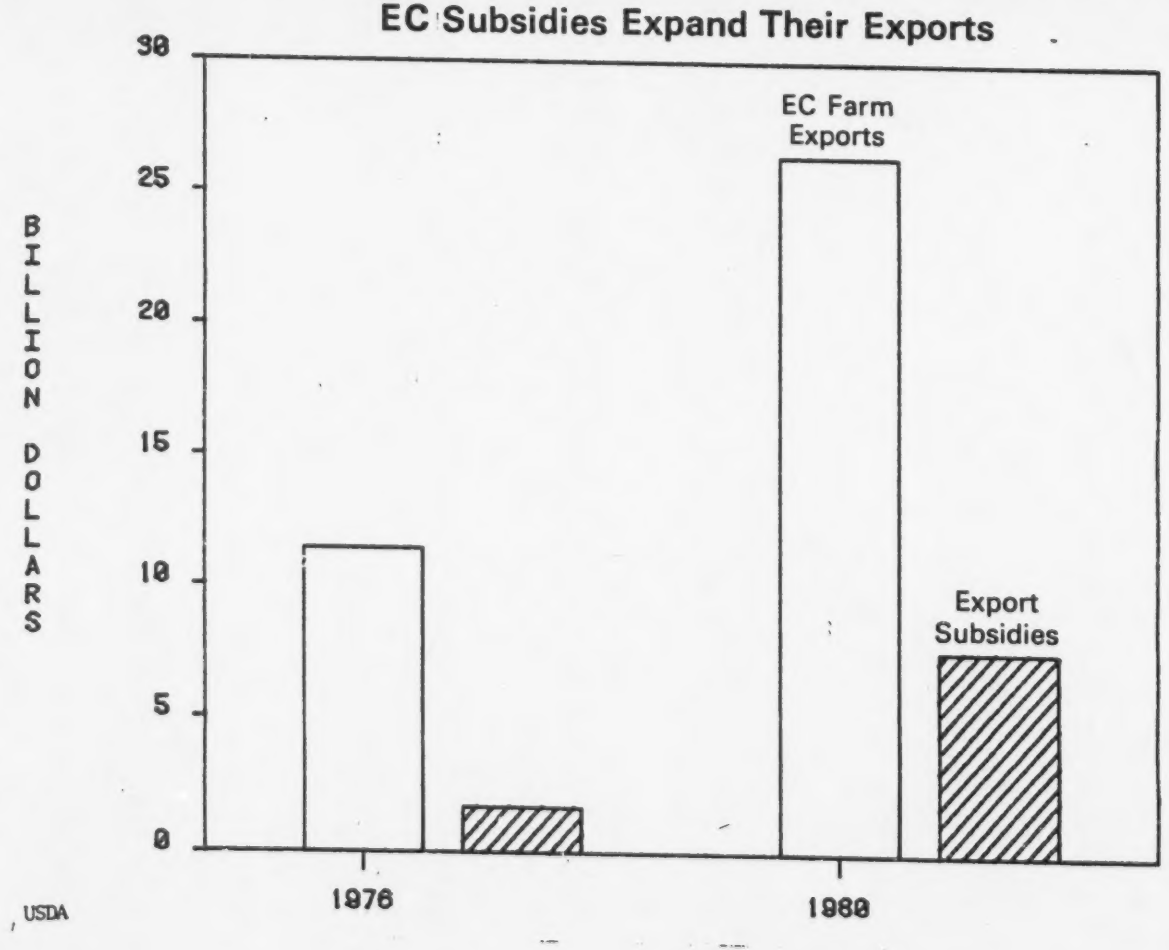
EC Subsidies Expand Their Exports
30
25
20
15
10
5
0
BILLION DOLLARS
EC Farm Exports
Export Subsidies
1976
1980
USDA

COMPARISON OF U.S. LOAN RATES
SEASON AVERAGE PRICES AND THE EEC INTERVENTION PRICE
FOR CORN
BETWEEN 1970 AND 1983

Corn

Year	U.S. Loan Rate	U.S. Season Average Farm Price	EEC Intervention Price
1970/71	1.05	1.33	2.44
1971/72	1.05	1.08	2.53
1972/73	1.05	1.57	2.92
1973/74	1.05	2.55	3.25
1974/75	1.10	3.02	3.87
1975/76	1.10	2.54	3.97
1976/77	1.50	2.15	4.57
1977/78	2.00	2.02	4.57
1978/79	2.00	2.25	5.00
1979/80	2.10	2.52	5.31
1980/81	2.25	3.11	5.07
1981/82	2.40	2.41	4.28
1982/83 (est)	2.55	2.38	N.A.
1983/84 (est)	2.65	2.70	N.A.

N.A. -- Not available

SOURCE: Chase Econometrics and U. S. Department of Agriculture

COMPARISON OF U.S. LOAN RATES
SEASON AVERAGE PRICES AND THE EEC INTERVENTION PRICE
FOR WHEAT
BETWEEN 1970 AND 1983

Wheat

Year	U.S. Loan Rate	U.S. Season Average Farm Price	EEC Intervention Price
1970/71	1.25	1.33	3.25
1971/72	1.25	1.34	3.47
1972/73	1.25	1.76	3.93
1973/74	1.25	3.95	4.39
1974/75	1.37	4.09	5.09
1975/76	1.37	3.56	5.18
1976/77	2.25	2.73	5.71
1977/78	2.25	2.33	4.98
1978/79	2.35	2.97	5.36
1979/80	2.50	3.78	5.68
1980/81	3.00	3.91	5.43
1981/82	3.20	3.68	4.59
1982/83 (est)	3.55	3.64	N.A.
1983/84 (est)	3.65	4.04	N.A.

N.A. -- Not available

SOURCE: Chase Econometrics and U.S. Department of Agriculture

COMPARISON OF U.S. LOAN RATES
SEASON AVERAGE PRICES AND THE EEC INTERVENTION PRICE
FOR BARLEY
BETWEEN 1970 AND 1983

Barley

Year	U.S. Loan Rate	U.S. Season Average Farm Price	EEC Intervention Price
1970/71	0.83	.96	2.33
1971/72	0.86	.96	2.52
1972/73	0.86	1.21	2.87
1973/74	0.86	2.14	3.21
1974/75	0.90	2.81	3.58
1975/76	0.90	2.42	3.65
1976/77	1.22	2.25	4.05
1977/78	1.63	1.78	3.98
1978/79	1.63	1.92	4.29
1979/80	1.71	2.29	4.55
1980/81	1.83	2.85	4.34
1981/82	1.95	2.44	3.67
1982/83 (est)	2.08	2.17	N.A.
1983/84 (est)	2.16	2.38	N.A.

N.A. -- Not Available

SOURCE: Chase Econometrics and U.S. Department of Agriculture

STATEMENT OF HON. JESSE HELMS, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY, BEFORE THE SWISS-AMERICAN CHAMBER OF COMMERCE

TRADE ISSUES CONFRONTING THE ATLANTIC ALLIANCE

The General Agreement on Tariffs and Trade—the GATT—has become basic to the Atlantic Alliance. And its efforts to achieve a more open world trading system have made the GATT one of the brightest tenants of that alliance.

It encourages me, and I hope it encourages you—not only as leaders of the West, which you are, but as practical businessmen—that the GATT structure has the potential to assure comity in the trading relations of nations. Indeed, the continuing efforts to assure open and fair trade are vital to economic growth and prosperity in the world today.

It is this week's meeting of the Trade Ministers of the GATT member nations that has brought me to your country. It is my hope that the world will continue the benefits of the open trade system we have established together. I appreciate the unique opportunity your invitation affords me to discuss with you my earnest concern that urgent action must be taken to redress significant deterioration in the trade relations between the European Economic Community and the rest of the world.

Of course, Switzerland is not a member of the European Economic Community, but without question, the Swiss-American Chamber is an appropriate forum to address international trade issues.

I am obliged to state, in all candor, that if we fail to set the stage for the resolution of fundamental differences in trade issues at the GATT meetings in Geneva, the survival of the GATT process, as we know it, will be in jeopardy. And failure of the GATT will certainly have an adverse impact on the entire Atlantic Alliance.

Specifically, and again in all candor, I must counsel that the predatory export subsidies inherent in the present modus operandi, of the European Economic Community's common agricultural policy—the CAP—are destructive to vital American and Western interests. They are shooting themselves in the foot—and that would be their option—if they were not also shooting the rest of us in the foot, as well.

There is a growing frustration in the U.S. agricultural industry that the EEC agricultural export subsidies have become destructive to world trading interests. Again being candid, I must observe that many Americans view these subsidies as intolerable.

Now, intolerable is a strong word with far-reaching implications. It conveys a sense of commitment to do whatever is necessary to rectify the problem; or failing that, to make EEC policymakers wish they had rectified the problem. I earnestly hope that these policymakers will understand that I use the term advisedly to communicate just how strong the consensus is growing in the U.S. Congress that bringing an end to export subsidies in general, and to agricultural export subsidies in particular, is of highest priority.

I realize that this is not the first time that this complaint has been made by someone from the United States. Spokesmen representing the United States at the GATT meetings in official capacities have frequently mentioned the strong U.S. objection to the use of agricultural export subsidies—officials including not only Ambassador Bill Brock but Agriculture Secretary John Block. President Reagan many times has himself addressed the issue unequivocally.

However, the continuing and increasingly pernicious application of such export subsidies indicates that scarcely anyone on the Eurpoean side of the Atlantic seems to understand the message.

If the international trading system is to function efficiently and equitably, the use of GATT mechanisms and rules to resolve disputes among member nations is far preferable to any unilateral action which aggrieved parties may feel obliged to take. Indeed, the U.S. Government is committed to the continuation and strengthening of the GATT multilateral process.

However, it is the duty of any sovereign people to use other policy instruments if multilateralism fails, or if it proves insufficient to redress matters of vital interest to that people.

I would stress that I cannot and do not represent my sentiments as a formal U.S. position on any of the issues before the GATT ministerial. But my reading of the situation is that many in the U.S. Congress will regard the failure of the GATT to make substantial progress in resolving the predatory use of agricultural export subsidies as sufficient grounds for taking unilateral actions outside the multilateral process.

There are those of us who are most interested in trade issues involving agriculture—and one must keep in mind that means virtually every one of the 100 U.S. Senators, because each Senator has an important agricultural constituency. If my reading of the situation is correct, unilateral actions to protect vital U.S. interests are very likely to be mandated by Congress. I would emphasize that this would leave little, if any, discretion on the part of the U.S. executive branch.

I will specify a few of the specific actions you might expect to see in coming months. But first, allow me to explain just why the agricultural issues are so especially sensitive to Americans.

First of all, agriculture and related industries account for approximately 20 percent of the U.S. gross national product; and with more than 15 million people working in the agricultural industry, it is America's largest employer.

Second, it is anticipated that net farm income will decline for the third consecutive year in 1982. Since 1979, farm income has plummeted almost 30 percent—from $27 billion, to $19 billion in 1982. Recordbreaking crops of wheat, feed grains, soybeans, and very large rice and cotton crops resulting from incredibly favorable weather, have combined with sluggish economic growth, worldwide to bring about this loss of income. In the face of these conditions, and a worldwide surplus of virtually every commodity, export subsidies have had a particularly pernicious effect on the economic well-being of U.S. farmers.

Third, U.S. farmers have demonstrated their willingness to take responsible, strong, and effective steps to resolve the problem of over-supply by reducing acreage for the 1982 crops. Forty-eight percent of the wheat acres and 29 percent of the corn acres in the United States were participating in the Government's acreage reduction program. However, in spite of the reduction in acreage in 1982, the incredibly favorable weather conditions caused actual wheat and grain production to increase by 1 percent.

Because of this unanticipated over-supply, an effort to induce even greater participation for the 1983 crops was undertaken by Congress—this time even to include advance payments for participation. These acreage diversions and prepaid deficiency payments will cost the U.S. taxpayers $2.4 billion in 1983.

Fourth, on top of all this, the U.S. now has 25 million tons of wheat and 34 million tons of corn in its reserve stocks. For fiscal years 1982 and 1983, the cost of the reserve program is estimated to total $10 billion.

Not surprisingly, there is an increasing consensus in the United States that competitor nations have not acted responsibly in the face of a worldwide glut in these crops. Harvested acreage for wheat and feed gains is estimated to have increased 3 percent in Canada and 8 percent in Argentina for 1982. Although the harvested area in the EEC is estimated to have increased by only one-half of 1 percent, the fact that there was any increase indicates an unwillingness to restrain production.

The increase in EEC support prices in the spring of 1981 was particularly disappointing. The United States was led to believe that the EEC leaders were going to commit themselves to adjusting support levels to world price levels. Instead, the EEC intervention and target prices were increased between 6 to 9 percent, thereby inducing even greater production by European farmers. Of course, U.S. price supports were increased too, but U.S. increases were accompanied by measures to reduce production and isolate some of the production from the market that I have just described.

These lowered world prices are not the result of basic economic forces—the fundamental laws of supply and demand—but of deliberate Government policies and artificial interventions.

Those of you in businesses other than agriculture know that you could not operate profitably if you faced such predatory practices. Farmers in the United States and in other countries are no different—which makes absolutely compelling the need to keep faith with the fundamental principles of fair and open trade.

Of course, it is vital for any Nation's interests to assure a reliable food supply—even at the expense of efficiency and a completely open trading system. Having conceded that, however, it needs be said that most trade distortions and government interventions that now exist in agricultural trade have not come about because of genuine fears regarding national sovereignty, but because of a lack of political will and courage.

Over the past decade, the United States has made great strides in scaling down government intervention in the market. For the most part, today the United States agricultural sector is structured to adjust with reasonable dispatch to the international market.

In contrast, the EEC has moved steadily in the other direction: It has continued a policy of high prices and variable levies that have discouraged imports, dampened

internal consumption, and insulated its member countries from adjustment to the international market. Over the past decade, the EEC not only has achieved self-sufficiency but has also become an aggressive exporter of agricultural commodities, all with the use of massive subsidies.

The high direct subsidies granted to most EEC agricultural producers are not accompanied by effective production controls, and thus have generated great expansions in agricultural production. The growing production surplus first displaced imports, but recently the excess has been disposed of increasingly through subsidized prices on the international market. Thus, the EEC's share of world wheat and exports rose from 5 percent in 1968 to almost 15 percent in 1981; its share of beef and veal exports rose from 2 percent to 19 percent; its share of sugar rose from 6 percent to 16 percent; and its share of poultry rose from 14 percent to 22 percent.

In 1982, the EEC has responded to the turndown in economic activity and the crop glut with substantial price increases which can only give additional strong "all out" production signals to its farmers. It is also moving aggressively to push its subsidized exports, as indicated by the recent sale of wheat flour to Chile at rates lower than domestically produced Chilean flour. This subsidized price not only undercuts Chile's mills but also United States wheat farmers, who in recent years have shipped about 1 million tons of wheat to Chile per year.

Acceptance by the United States of the current situation would falsely signal that the United States is willing to shrink its agricultural base permanently, a result clearly against its economic interests. And it is particularly unacceptable when brought about by trade practices which defy the logic of the market and obstruct the free flow of trade in violation of the spirit and intent of the GATT.

It is my certain expectation that the Congress of the United States will move directly and forthrightly to force a resolution of these subsidy issues.

Already there have been enacted into law two so-called "Helms amendments" designed to "fight fire with fire." In 1981, Congress enacted specific provisions to refine and strengthen the discretionary authority for the U.S. Government to employ subsidies on U.S. agricultural exports so as to neutralize the effects of other countries export subsidies. This year, the Congress mandated the expenditure of up to $190 million a year for 3 years for that purpose.

Each of these actions is a measured step designed to communicate to those who employ agricultural export subsidies that we will not sit idly by while such predatory activities impoverish U.S. agriculture.

In speaking with a number of Trade Ministers this week, I have sensed that our efforts may not have communicated just how intolerable the EEC export subsidies are to us. This is the feeling shared by other members of the U.S. congressional delegation at the GATT ministerial.

So, I believe a variety of specific actions are likely to be forthcoming. Perhaps I should list a few of the kinds of actions that may occur.

First, the U.S. Department of Agriculture has used only $100 million of the $190 million, mandated by the Congress—and it has thus far used the funds in a very modest way. The remaining $90 million for 1983 may be used more aggressively. And I would expect even more potent use of the $190 million in 1984 and 1985 if substantial EEC policy changes have not been effectuated by that time.

Second, I would expect to see even greater amounts of money spent for this purpose of fighting "fire with fire." We have a $3 trillion economy and if necessary, the Congress may very well commit many hundreds of millions of dollars—perhaps billions of dollars—for this purpose. This is particularly so because of peculiarities in our budget process which will actually attribute overall savings—that is, overall reductions in spending—if we can demonstrate additional sales from the use of U.S. export enhancement subsidies.

Third, the United States has volumes of milk products that have accumulated from the operation of our dairy price support program. Now, we're talking about almost 1 billion pounds of cheese, half-a-billion pounds of butter and 1¼ billion pounds of non-fat dry milk. I can visualize a significant percentage of this moving into the world trade at world prices. If all of it were moved, it would be equivalent to about $1.3 billion in U.S. export subsidies.

Fourth, intolerable predatory trade practices that have the effect of impoverishing U.S. farmers can only exacerbate the already-increasing debate, about the incredibly huge U.S. defense outlay allocated for meeting our European defense commitments. As you know, U.S. taxpayers spend about $170 billion annually to structure the U.S. Armed Forces to meet these commitments. A recent 12 to 1 vote in the Senate Appropriations Subcommittee on Defense to reduce U.S. NATO troop strength is a very real expression of the sentiment in the Congress that I would hope everyone will ponder.

Now, I say these things not to be an alarmist, but to sound a fair warning. I believe we can resolve the subsidy problems I have described—but it won't be accomplished at the present pace.

Certainly it is in the interest of the West that we do resolve these problems without confrontation, and I believe they can be resolved. The recent agreement on steel subsidies and imports is a very encouraging example of how really tough problems can be worked out.

So, that is why I am urging the EEC to return to the fundamental principles of fair and open trade principles that are the very foundation of the Atlantic Alliance. My message to you is that it will be disaster for everyone if we fail to abide by those principles.

GATT Ministerial Minister's Declaration

1. The contracting parties to the General Agreement on Tariffs and Trade have met at ministerial level on 24-29 November 1982. They recognize that the multilateral trading system, of which the General Agreement is the legal foundation, is seriously endangered. In the current crisis of the world economy, to which the lack of convergence in national economic policies has contributed, protectionist pressures on governments have multiplied, disregard of GATT disciplines has increased and certain shortcomings in the functioning of the GATT system have been accentuated. Conscious of the role of the GATT system in furthering economic well-being and an unprecedented expansion of world trade, and convinced of the lasting validity of the basic principles and objectives of the General Agreement in a world of increasing economic interdependence, the contracting parties are resolved to overcome these threats to the system.

2. The deep and prolonged crisis of the world economy has severely depressed levels of production and trade. In many countries growth rates are low or negative; there is growing unemployment and a climate of uncertainty, exacerbated by persistent inflation, high rates of interest and volatile exchange rates, which seriously inhibit investment and structural adjustment and intensify protectionist pressures. Many countries, and particularly developing countries, now face critical difficulties created by the combination of uncertain and limited access to export markets, declining external demand, a sharp fall in commodity prices and the high cost of borrowing. The import capacity of developing countries, which is essential to their economic growth and development, is being impaired and is no longer serving as a dynamic factor sustaining the exports of the developed world. Acute problems of debt servicing threaten the stability of the financial system.

3. In the field of trade, the responses of governments to the challenges of the crisis have too often been inadequate and inward-looking. Import restrictions have increased and a growing proportion of them have for various reasons been applied outside GATT disciplines, thus undermining the multilateral trading system. Trade patterns have also been adversely affected by certain forms of economic assistance for production and exports and by some restrictive trade measures applied for non-economic purposes. In the depressed economic circumstances, these measures, together with continuing pressures for further protective action, have contributed to further delays in necessary structural adjustment, increased economic uncertainty and discouraged productive investment.

4. The results of the Tokyo Round, including in particular the implementation on schedule of the tariff reductions, have provided some impetus to the functioning of the trading system. However, despite the strength and resilience which it has shown, the stresses on the system, which are reflected in the growing number and intensity of disputes between contracting parties, many of which remain unresolved, have made more pronounced certain shortcomings in its functioning. Existing strains have been aggravated by differences of perception regarding the balance of rights and obligations under the GATT, the way in which these rights and obligations have been implemented and the extent to which the interests of different contracting parties have been met by the GATT. There are also concerns over the manner in which rights are being pursued as well as the manner in which obligations are being fulfilled. Disagreements persist over the interpretation of some important provisions and over their application. Disciplines governing the restriction of trade through safeguard measures are inadequate; there is widespread dissatisfaction with the application of GATT rules and the degree of liberalization in relation to agricultural trade, even though such trade has continued to expand; trade in textiles and clothing continues to be treated under an arrangement which is a major derogation from the general agreement—a matter of critical importance to developing countries in particular. Such differences and imbalances are particularly deteri-

mental to the ability of the international trading system when they concern access to the markets of major trading countries or when, through the use of export subsidies, competition among major suppliers is distorted.

5. The contracting parties recognize that the interdependence of national economies means that no country can solve its trade problems in isolation and also that solutions would be greatly facilitated by parallel efforts in the financial and monetary fields. In this light, they commit themselves to reduce trade frictions, overcome protectionist pressures, avoid using export subsidies inconsistent with article XVI of the GATT and promote the liberalization and expansion of trade. They are therefore determined to create, through concerted action, a renewed consensus in support of the GATT system, so as to restore and reinforce confidence in its capacity to provide a stable and predictable trading environment and respond to new challenges.

6. The contracting parties have accordingly decided:

"To reaffirm their commitment to abide by their GATT obligations and to support and improve the GATT trading system, so that it may contribute vigorously to the further liberalization and expansion of trade based on mutual commitment, mutual advantage and overall reciprocity, and the most-favoured-nation clause;

"To preserve, in the operation and functioning of GATT instruments, the unity and consistency of the GATT system; and

"To ensure that GATT provides a continuing forum for negotiation and consultation, in which an appropriate balance of rights and obligations can be assured for all contracting parties and the rules and procedures of the system are effectively and fairly applied, on the basis of agreed interpretations, for the economic development and benefit of all."

7. In drawing up the work programme and priorities for the 1980's, the contracting parties undertake, individually and jointly:

(i) To make determined efforts to ensure that trade policies and measures are consistent with GATT principles and rules and to resist protectionist pressures in the formulation and implementation of national trade policy and in proposing legislation; and also to refrain from taking or maintaining any measure inconsistent with GATT and to make determined efforts to avoid measures which would limit or distort international trade:

(ii) To give fullest consideration, in the application of measures falling within the GATT framework, and in the general exercise of their GATT rights, and to the trading interests of other contracting parties and the shared objective of trade liberalization and expansion;

(iii) To abstain from taking restrictive trade measures, for reasons of a non-economic character, not inconsistent with the General Agreement;

(iv)(a) To ensure the effective implementation of GATT rules and provisions and specifically those concerning the developing countries, thereby furthering the dynamic role of developing countries in international trade;

(iv)(b) To ensure special treatment for the least-developed countries, in the context of differential and more favourable treatment for developing countries, in order to ameliorate the grave economic situation of these countries;

(v) To bring agriculture more fully into the multilateral trading system by improving the effectiveness of GATT rules, provisions and disciplines and through their common interpretation; to seek to improve terms of access to markets; and to bring export competition under greater discipline. To this end a major two-year work programme shall be undertaken.

(vi) To bring into effect expeditiously a comprehensive understanding on safeguards to be based on the principles of the general agreement;

(vii) To ensure increased transparency of trade measures and the effective resolution of disputes through improvements in the operation of the pertinent procedures, supported by a determination to comply with rulings and respect recommendations;

(viii) To examine ways and means of, and to pursue measures aimed at, liberalizing trade in textiles and clothing, including the eventual application of the general agreement, after the expiry of the 1981 protocol extending the arrangement regarding international trade in textiles, it being understood that in the interim the parties to the arrangement shall adhere strictly to its rules;

(ix) To give continuing consideration to changes in the trading environment so as to ensure that the GATT is responsive to these changes.

SAFEGUARDS

The contracting parties decide:

1. That, having regard to the objectives and disciplines of the General Agreement, there is need for an improved and more efficient safeguard system which provides for greater predictability and clarify and also greater security and equity for both importing and exporting countries, so as to preserve the results of trade liberalization and avoid the proliferation of restrictive measures; and

2. That to this end, effect should be given to a comprehensive understanding to be based on the principles of the general agreement which would contain, inter alia, the following elements:

(i) Transparency;

(ii) Coverage;

(iii) Objective criteria for action including the concept of serious injury or threat thereof;

(iv) Temporary nature, degressivity and structural adjustment;

(v) Compensation and retaliation; and

(vi) Notification, consultation, multilateral surveillance and dispute settlement with particular reference to the role and functions of the safeguards committee.

3. That such an understanding should be drawn up by the council for adoption by the contracting parties not later than their 1983 session.

GATT RULES AND ACTIVITIES RELATING TO DEVELOPING COUNTRIES

The contracting parties:

1. Instruct the committee on Trade and Development bearing in mind particularly the special responsibility of the developed contracting parties in this regard, to consult on a regular basis with contracting parties individually or collectively, as appropriate to examine how individual contracting parties have responded to the requirements of part iv.

2. Urge contracting parties to implement more effectively part IV and the decision of 28 November 1979 regarding "differential and more favorable treatment, reciprocity and fuller participation of developing countries;"

3. Urge contracting parties to work toward further improvement of GSP or MFN treatment for products of particular export interest to least-developed countries, and the elimination or reduction of non-tariff measures affecting such products;

4. Agree to strengthen the technical cooperation programme of GATT;

5. Instruct the Committee or Trade and Development to carry out an examination of the prospects for increasing trade between developed and developing countries and the possibilities in GATT for facilitating this objective;

To this effect, the contracting parties are also taking the decisions annexed and decide to review the action taken in these areas at their 1984 session.

DISPUTE SETTLEMENT PROCEDURES

The contracting parties:

Agree that the understanding on notification, consultation, surveillance and dispute settlement negotiated during the Tokyo Round (hereinafter referred to as the "understanding") provides the essential framework of procedures for the settlement of disputes among countracting parties and that no major change is required in this framework, but that there is scope for more effective use of the existing mechanism and for specific improvements in procedures to this end;

And agree further that:

(i) With reference to paragraph 8 of the understanding, if a dispute is not resolved through consultations, any party to a dispute may, with the agreement of the other party, seek the good offices of the director-general or of an individual or group of persons nominated by the director-general. This conciliatory process would be carried out expeditiously, and the director-general would inform the council of the outcome of the conciliatory process. Conciliation proceedings, and in particular positions taken by the parties to the dispute during conciliation, shall be taken by the parties to the dispute during conciliation, shall be confidential, and without prejudice to the rights of either party in any further proceedings under article xxiii:2. It would remain open at any time during any conciliatory process for either party to the dispute to refer the matter to the contracting parties.

(ii) In order to ensure more effective compliance with the provisions of paragraphs 11 and 12 of the understanding, the director-general shall inform the council of any case in which it has not been found possible to meet the time limits for the establishment of a panel.

(iii) With reference to paragraphs 13 of the understanding, contracting parties shall cooperate effectively with the director-general in making suitably qualified experts available to serve on panels. Where experts are not drawn from Geneva, any expenses, including travel and subsistence allowance, shall be met from the GATT budget.

(iv) The Secretariat of GATT has the responsibility of assisting the panel, especially on the legal, historical and procedural aspects of the matters dealt with.

(v) The terms of reference of a panel should be formulated so as to permit a clear finding with respect to any contravention of GATT provisions and/or on the question of nullification and impairment of benefits. In terms of paragraph 16 of the understanding, and after reviewing the facts of the case, the applicability of GATT provisions and the arguments advanced, the panel should come to such a finding. Where a finding establishing a contravention of GATT provisions or nullification and impairment is made, the panel should make such suggestions as appropriate for dealing with the matter as would assist the contracting parties in making recommendations to the contracting parties which they consider to be concerned, or give a ruling on the matter, as appropriate.

(vi) Panels would aim to deliver their findings without undue delay, as provided in paragraph 20 of the understanding. If a complete report cannot be made within the period foreseen in that paragraph, panels would be expected to so advise the council and the report should be submitted as soon as possible thereafter.

(vii) Reports of panels should be given prompt consideration by the contracting parties. Where a decision on the findings contained in a report calls for a ruling or recommendation by the council, the council may allow the contracting party concerned a reasonable specified time to indicate what action it proposes to take with a view to a satisfactory settlement of the matter, before making any recommendation or ruling on the basis of the report.

(viii) The recommendation or ruling made by the contracting parties small be aimed at achieving a satisfactory settlement of the matter in accordance with GATT obligations. In furtherance of the provisions of paragraph 22 of the understanding the council shall periodically review the action taken pursuant to such recommendations. The contracting party to which such a recommendation has been addressed, shall report within a reasonable specifed period on action taken or on its reasons for not implementing the recommendation or ruling by the contracting parties. The contracting party bringing the case may also ask the contracting parties to make suitable efforts with a view to finding an appropriate solution as provided in paragraph 22 of the understanding.

(ix) The further action taken by the contracting parties on the above circumstances might include a recommendation for compensatory adjustment with respect to other products or authorization for the suspension of such concessions or other obligations as foreseen in article XXIII:2, as the contracting parties may determine to be appropriate in the circumstances.

(x) The parties to a dispute would fully participate in the consideration of the matter by the contracting parties under paragraph (VII) above, including the consideration of any rulings or recommendations the contracting parties might make pursuant to article XXIII:2 of the General Agreement, and their views would be fully recorded. They would likewise participate and have their views recorded in the considerations of the further actions provided for under paragraphs (VIII) and (IX) above. The contracting parties reaffirmed that consensus will continue to be the traditional method of resolving disputes; however, they agreed that obstruction in the process of dispute settlement shall be avoided. It is understood that decision in this process cannot add to or diminish the rights and obligations provided in the general agreement.

TRADE IN AGRICULTURE

With the purpose of accelerating the achievement of the objectives of the general agreement including part IV, and recognizing that there is an urgent need to find lasting solutions to the other problems of trade in agricultural products, the contracting parties decide:

1. That the following matters be examined, in the light of the objectives, principles and relevent provisions of the general agreement and also taking into account the effects of national agricultural policies, with the purpose of making appropriate recommendations. The examination shall cover all measures affecting trade, market

access and competition and supply in agricultural products, including subsidies and other forms of assistance.

(i) Trade measures affecting market access and supplies, with a view to achieving greater liberalization in the trade of agricultural products, with respect to tariffs and non-tariff measures, on a basis of overall reciprocity and mutual advantage under the General Agreement.

(ii) The operation of the General Agreement as regards subsidies affecting agriculture, especially export subsidies, with a view to examing its effectiveness, in the light of actual experience, in promoting the objectives of the general agreement and avoiding subsidization seriously prejudicial to the trade or interests of contracting parties. Other forms of export assistance will be included in this examination.

(iii) Trade measures affecting agriculture maintained under exceptions or derogations without prejudice to the rights of contracting parties under the general agreement.

2. That in carrying out the tasks enumerated above, full account shall be taken of the need for a balance of rights and obligations under the GATT, and of the special needs of developing countries in the light of the GATT provisions providing for differential and more favorable treatment for such contracting parties. Full account shall also be taken of specific characteristics and problems in agriculture, of the scope for improving the operations of GATT rules, provisions and disciplines and agreed interpretations of its provisions.

3. That for the purpose of carrying out his work, an improved and unified system of notifications shall be introduced so as to ensure full transparency.

4. That a committee on trade in agriculture shall be established, open to all contracting parties, for the purpose of carrying out the tasks enumerated above and of making recommendations with a view to achieving greater liberalization in the trade of agricultural products. The committee will report periodically on the results achieved and make appropriate recommendations to the council and the contracting parties for consideration not later than their 1984 session.

TROPICAL PRODUCTS

The contracting parties decide to carry out, on the basis of the work programme pursued by the committee on trade and development, consulations and appropriate negotiations aimed at further liberalization of trade in tropical products, including in their processed and semi-processed forms, and to review the progress achieved in eliminating or reducing existing obstacles to trade in tropical products at their 1984 session.

QUANTITATIVE RESTRICTIONS AND OTHER NONTARIFF MEASURES

The contracting parties decide:

1. To review, in a group created for the purpose, existing quantitative restrictions and other non-tariff measures, the grounds on which these are maintained, and their conformity with the provisions of the General Agreement, so as to achieve the elimination of quantitative restrictions which are not in conformity with the General Agreement or their being brought into conformity with the General Agreement, and also to achieve progress in liberalizing other quantitative restrictions and non-tariff measures, adequate attention being given to the need for action on quantitative restrictions and other measures affecting products of particular export interest to developing countries; and

2. That the group should make progress reports to the council and that its complete report containing its findings and conclusions should be available for consideration by the contracting parties at their 1984 session.

TARIFFS

The contracting parties decide:

1. That prompt attention should be given to the problem of escalation of tariffs of products with increased processing with a view to effective action towards the elimination or reduction of such escalation where it inhibits international trade, taking into account the concerns relating to exports of developing countries; and agree

2. That wide acceptance of a common system for classifying products for tariff and statistical purposes would facilitate world trade and therefore recommend prompt action towards the introduction of such a system. They take note of the ongoing work to this end in the customs cooperation council. They further agree that, if such a system is introduced, the general level of benefits provided by GATT concessions

must be maintained, that existing concessions should normally remain unchanged and that any negotiation that may prove necessary should be initiated promptly so as to avoid any undue delay in the implementation of a system. They also agree that technical support shall be provided by the GATT secretariat to developing contracting parties in order to fully assist their participation in such a process.

MTN AGREEMENTS AND ARRANGEMENTS

The contracting parties decide to review the operation of the MTN agreements and arrangements, taking into account reports from the committees or councils concerned, with a view to determining what action if any is called for, in terms of their decision of November 1979. The contracting parties further agree that, for this purpose, the review should focus on the adequacy and effectiveness of these agreements and arrangements and the obstacles to the acceptance of these agreements and arrangements by interested parties.

STRUCTURAL ADJUSTMENT AND TRADE POLICY

The contracting parties decide to continue the work on structural adjustment and trade policy in order to focus on the interaction between structural adjustment and the fulfillment of the objectives of the general agreement, and to review the results of this work at their 1983 session.

TRADE IN COUNTERFEIT GOODS

The contracting parties instruct the council to examine the question of counterfeit goods with a view to determining the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting and, if such joint action is found to be appropriate, the modalities for such action, having full regard to the competence of other international organizations. For the purposes of such examination, the contracting parties request the director-general to hold consultations with the director-general of WIPO in order to clarify the legal and institutional aspects involved.

EXPORT OF DOMESTICALLY PROHIBITED GOODS

The contracting parties decide that contracting parties shall, to the maximum extent feasible, notify GATT of any goods produced and exported by them but banned by their national authorities for sale on their domestic markets on grounds of human health and safety. At their 1984 session, the contracting parties will consider in the light of experience gained with this notification procedure, the need for study of problems relevant to the GATT in relation to exports of domestically prohibited goods and of any action that may be appropriate to deal with such problems.

EXPORT CREDITS FOR CAPITAL GOODS

The contracting parties:

1. Are aware that official export credit provisions on capital goods which apply to developing countries may pose problems for the expansion of imports into these countries consistent with their trade and development needs;
2. Therefore recommend that contracting parties, members of those international arrangements concerning official export credit matters, when reviewing or revising their various international undertakings, give special attention to relevant credit provisions, including specific terms and conditions, in order to facilitate the expansion of developing countries' imports of capital goods consistent with their trade and development needs; and
3. Request the director-general of the GATT to consult with the contracting parties concerned and report to the 39th session.

TEXTILES AND CLOTHING

The contracting parties decide:

1. To carry out on a priority basis a study of:
   (i) The importance of textiles and clothing in world trade and particularly for the trade prospects of developing countries;
   (ii) The impact on economic activity and prospects of countries participating in textiles trade, of the existing systems of restraints and restrictions relating to textiles and clothing, principally the MFA;

(iii) Consequences for economic and trade prospects in these countries of a phasing out on the basis of the provisions of the General Agreement, or of the continued maintenance, of the restraints and restrictions applied under the existing textile and clothing regimes, principally the MFA; and

2. To examine expeditiously, taking into account the results of such a study, modalities of further trade liberalization in textiles and clothing including the possibilities for bringing about the full application of GATT provisions to this sector of trade.

3. This work should be completed for consideration by the contracting parties at their 1984 session.

PROBLEMS OF TRADE IN CERTAIN NATURAL RESOURCE PRODUCTS

The contracting parties decide:

1. That problems relating to trade in the following natural resource products including in their semi-processed and processed forms, falling under the competence of the general agreement relating to tariffs, non-tariff measures and other factors affecting trade, should be examined with a view to recommending possible solutions: (a) Nonferrous metals and minerals; (b) forestry products; and (c) fish and fisheries products.

2. That for this purpose the council should decide, for each of these three items, the terms of reference, time frame and procedures.

EXCHANGE RATE FLUCTUATIONS AND THEIR EFFECT ON TRADE

The contracting parties decide:

To request the director-general to consult the managing director of the International Monetary Fund on the possibility of a study of the effects of erratic fluctuations in exchange rates on international trade, to report to the council on the results of these consultations and to forward any such study to the council so that it may consider any implications for the General Agreement.

DUAL PRICING AND RULES OF ORIGIN

The contracting parties decide:

To request the council to make arrangements for studies of dual-pricing practices and rules of origin; and

To consider what further action may be necessary with regard to these matters when the results of these studies are available.

SERVICES

The contracting parties decide:

1. To recommend to each contracting party with an interest in services of different types to undertake, as far as it is able, national examination of the issues in this sector.

2. To invite contracting parties to exchange information on such matters among themselves, inter alia, through international organizations such as GATT. The compilation and distribution of such information should be based on as uniform a format as possible.

3. To review the results of these examinations, along with the information and comments provided by relevant international organizations, at their 1984 session and to consider whether any multilateral action in these matters is appropriate and desirable.

ANNEX: GATT RULES AND ACTIVITIES RELATING TO DEVELOPING COUNTRIES

The contracting parties:

1. Decide in order to improve the review and surveillance procedures in regard to the implementation of part IV, that:

(a) The Committee on Trade and Development, bearing in mind particularly the special responsibility of the developed contracting parties to this regard, shall adopt a programme of consultations with contracting parties individually or collectively, as appropriate, to examine how individual contracting parties have responded to the requirements of part IV;

(b) Each such consultation shall be based on information supplied by the contracting party or parties in question and additional factual material prepared by the secretariat;

(c) The Committee on Trade and Development shall also examine other aspects of existing procedures for reviewing the implementation of part IV and for dealing with problems relating to the application of its provisions, and prepare guidelines for their improvement.

2. Invite the Committee on Trade and Development to review the operation of the enabling clause as provided for in its paragraph 9, with a view to its more effective implementation, inter alia, with respect to objectivity and transparency of modifications to GSP schemes and the operation of consultative provisions relating to differential and more favourable treatment for developing countries;

3. Invite contracting parties to pursue action as follows toward facilitating trade of least-developed countries and reducing tariff and non-tariff obstacles to their exports:

(a) Further improve GSP or MFN treatment for products of particular export interest to least-developed countries, with the objective of providing fullest possible duty-free access to such products;

(b) Use, upon request and where feasible, of more flexible requirements for rules of origin for products of particular export interest to least-developed countries;

(c) Eliminate or reduce non-tariff measures affecting products of particular export interest to least-developed countries;

(d) Facilitate the participation of least-developed countries in MTN agreements and arrangements;

(e) Strengthen the technical assistance facilities of the GATT secretariat targeted to the special requirements of least-developed countries;

(f) Strengthen trade promotion activities, through the ITC and other initiatives, such as by encouraging the establishment of import promotion offices in importing countries;

(g) Give more emphasis to the discussion and examination of policy issues of interest to least-developed countries in the context of further efforts to liberalize trade.

4. Decide to strengthen the technical cooperation programme of the GATT with a view to facilitating the more effective participation of developing countries in the GATT trading system:

(a) By responding to increasing requests for seminars and other technical assistance activities;

(b) By permitting increased participation in the GATT commercial policy courses, and the inclusion in the training programme of a regular course in the Spanish language;

(c) By encouraging, in the context of this programme, appropriate contributions from individual contracting parties.

5. Invite contracting parties individually to grant new voluntary contributions or provide other forms of assistance to the ITC.

[From the Financial Times, Nov. 24, 1982]

EEC Clash With U.S. Likely as GATT Opens

(By Paul Cheeseright and Giles Merritt in Geneva)

The United States and the EEC were last night set on a collision course over the spread of protectionism in world trade and the use of subsidies to boost farm exports.

The growing differences between the two major trading powers are likely to have a profound and disruptive effect on the ministerial conference of the 68 nations grouped in the General Agreement on Tariffs and Trade (Gatt), which starts today in Geneva.

The three-day meeting was called in 1981 to consider the working of the open trading system at a time when mainly bilateral agreements were being forged outside the Gatt rules and restricting trade. The conference marks the first ministerial Gatt meeting in nearly 10 years.

Mr. William Brock, the U.S. Trade Representative, said the conference needed to deal with agriculture and with subsidies. This was a clear reference to the EEC's Common Agricultural Policy, which includes subsidies on exports.

But Sir Roy Denman, the EEC's representative in Washington, yesterday reflected the mood of Monday's meeting of the EEC Council of Ministers in Brussels, when he made clear that the Community still firmly opposed any general review of the subsidies question.

He warned that the EEC was not prepared to enter into negotiations, about agriculture, nor would it abandon the subsidisation of farm sales overseas. Such subsi-

dies were accepted as permissible during the Tokyo round of multilateral trade negotiations during the 1970s and there was no need to reopen the question, he maintained.

Disagreement also emerged on the sort of commitment Gatt members should make to halt the spread of protectionism. The United States has sided with Australia, which is seeking a declaration that Gatt members will not take any more protectionist measures or intensify those already in place.

But the EEC dismisses the idea of a standstill on protectionism as impractical. "The general commitment should be realistic and plausible," Sir Roy said. He asked whether the United States would be prepared to abandon its arrangement with Japan for restricted Japanese car sales in the United States.

The idea of a standstill on protectionist measures was originally conceived as the centrepiece of a political declaration to be made by the world's trading nations in support of the open trading system.

But Mr. Allan MacEachen, the Canadian Secretary for External Affairs and president of the Gatt conference, warned that nations had "to demonstrate that the political declaration is backed up by some concrete decisions and is not simply a statement of existing principles".

Discussions in the run-up to the Geneva conference have revealed that no consensus exists either on the nature of conditions under which a country might take action against a surge of imports or on a speeding up of the lengthy Gatt procedures for the settlement of trading disputes.

[From the International Herald Tribune, Nov. 25, 1982]

EC, AT GATT, OPPOSES EFFORT TO WIDEN TRADE IN AGRICULTURAL SECTOR

(By Axel Krause, International Herald Tribune)

GENEVA.—Representatives of Japan and key developing nations joined the United States in calling for broad and strong trade-liberalization measures in agriculture and industry as a four-day ministerial trade conference of representatives of 110 nations and major international organizations opened Wednesday in Geneva.

But the European Community urged that commitments against protectionism had to be "realistic" and it rejected taking on new commitments and obligations in agriculture or starting new negotiations aimed at reducing the EC's controversial farm export subsidies, Wilhelm Haferkamp, vice president of the EC Commission said.

If the differences between the EC and the United States, Japan and developing countries over farm subsidies cannot be resolved by Saturday, conference sources said, the meeting will have failed to achieve a crucial goal.

"If we cannot get agreement from the EC on reducing farm subsidies, this conference will have failed in a very substantial way, and right now the EC is alone in refusing to move on dismantling subsidies in this key sector," a U.S. official said. But, he added, "compromises are possible."

In a determined effort to break the deadlock and complete negotiations on a range of proposed trade liberalized actions, trade ministers and other key delegates were meeting Wednesday night at the Chateau de Chillon overlooking Lake Geneva, 50 miles (80 kilometers) from the site of the conference.

The EC ministers will also be meeting Thursday and Friday to review their position.

Representatives from 28 nations, the World Bank, the International Monetary Fund and other agencies addressed the opening session of the conference, which ends Saturday. The speeches will continue Thursday along with behind-the-scenes negotiations and discussions.

In his opening statement, William E. Brock, the U.S. trade representative, called for "a commitment to roll back over time, existing GATT illegal actions" concerning trade and which he said "will have a hollow ring unless accompanied by operational agreements" on limiting import restrictions and improving dispute settling mechanisms under the General Agreement on Tariffs and Trade, the agency sponsoring the conference.

Warning of "wasteful and dangerous competition" which might be triggered if no agreement is reached, Mr. Brock called for liberalization of farm export subsidies and what he termed a work program to move toward their eventual elimination.

"We must seek to develop an approach which will permit each nation to pursue its own agricultural policies while requiring fair and equitable competition," he said. U.S. officials said his statement was clearly directed at the EC's farm trade policies.

Japan's outgoing minister of foreign affairs and chief negotiator, Yoshio Sakurauchi, stated that his country is "one of the most open markets in the world." He sup-

ported the U.S. position, particularly with regard to obtaining what he termed "a strong manifestation of collective political will to stem the increasing trend toward protectionism."

Japanese officials said that Japan was coordinating and consulting closely with U.S. negotiators to get a strong anti-protectionist statement from the conference while supporting U.S. efforts to eliminate the "distorting" effects of farm subsidies.

In a related development, U.S. and Japanese officials said that they were hopeful that negotiations could begin shortly to extend an agreement that limits the level of Japanese automobile exports to the United States, an accord which is entering its third year. But U.S. officials brushed off suggestions that a new, restrictive accord conflicted with a GATT statement being sought to declare a moratorium on new protectionist measures. "It is an existing agreement," a senior U.S. Official said.

Developing countries were highly critical of industrialized nations, citing slumped commodity prices, recession, high interest rates, mounting debts and intensification of trade barriers to their exports, which Gamani Corea of Sri Lanka termed "discretionary and discriminatory." He urged that industrialized nations open their markets to developing country exports "on a nonreciprocal basis . . . to be fulfilled and not modified unilaterally."

Urging that "in the spirit of the North-South dialogue, the time has come to give the poorer countries a break," the Philippines' minister of trade, Roberto Ongpin, said his government and those of other nations of the Association of Southeast Asian Nations favored calling for a "standstill" in trade-restrictive measures in industrialized nations and for their eventual phaseout, notably with regard to textiles.

Mr. Ongpin said agriculture has become "a prolific breeding ground for one of the most trade distorting forms of protectionism," and he cited sugar as an example. "Because of its subsidies, the EEC has emerged as the world's largest exporter of a commodity that is produced traditionally and at least cost in the tropics," he said, urging that the GATT meeting "urgently place agriculture fully under GATT rules and disciplines."

Senior trade officials from India, Colombia and other developing nations said that they remained opposed to launching a U.S.-backed proposal to study expansion of trade in services.

[From the International Herald Tribune, Nov. 26, 1982]

DISPUTE ON TRADE CONTINUES AT GATT

U.S. AIDE CITES "MARGINAL PROGRESS," SEES 50–50 CHANCE OF TALKS' SUCCESS

(By Axel Krause, International Herald Tribune)

GENEVA.—Key nations continued to clash over proposed trade liberalization measures at a ministerial conference on international trade here Thursday, and a senior U.S. official rated the chances of a successful outcome of the meeting at "about 50–50."

The official who did not want to be identified, told reporters that "marginal progress" had been made on some issues at the conference, which was sponsored by the General Agreement on Tariffs and Trade agency.

But he said that no consensus had yet emerged on major agenda items being negotiated by trade ministers of 88 countries that affect trade in farm and industrial products worth billions of dollars.

Sir Roy Denman, the chief negotiator for the European Community, said that he generally agreed with the U.S. assessment, but he declined "to put into mathematical terms."

As part of a continuing effort to break the U.S.-EC deadlock over liberalization of EC farm export subsidies, senior European and U.S. officials met privately throughout the day and were expected to continue discussions late Thursday evening, as several EC trade ministers returned to their capitals for consultations.

"This is going to be a cliffhanger, possibly right down to Saturday when the conference is supposed to end," a senior EC official said.

The outlook, according to conference sources, was that the meeting would produce trade agreements, but ones which probably would be less than the U.S. had been seeking, including a broad commitment by participants to resist protectionist measures, an agreement to study trade in services and to establish a work program to assess worldwide farm-subsidy practices.

A mixture of skepticism, annoyance and opposition regarding U.S. trade liberation proposals was expressed Thursday by senior officials from EC nations, notably Britain and to a lesser degree West Germany regarding agriculture and from some

developing nations regarding liberalization of trade in services which involves banking, shipping, insurance and the construction industries.

"The U.S. officials and the visiting congressmen and senators threatening retaliation by dumping billions of dollars' worth of surplus U.S. dairy products on the world market have been counterproductive, souring the atmosphere," a British official said, adding that Britain supported a study on the services trade.

But he emphasized that the study should not be conducted under the exclusive auspices of the General Agreement on Tariffs and Trade, as the United States has insisted, but should include other international bodies.

"The United States came to this conference with ambitious proposals to liberalize trade in areas such as agriculture," a senior West German official said, "and compromises are still possible. But the U.S. must be understanding about European interest in protecting its interests."

The official said that the best that could emerge in the controversial farm subsidy area is a work program to study worldwide government subsidy and support practices, including those in the United States, and which would be conducted by the GATT agricultural committee.

While the Reagan administration supports a study, the senior U.S. official told reporters, the purpose of such a study must be clear and must be aimed at reducing the subsidies.

"There must be a commitment to phase them out in the EC," the official said, adding that the EC still had not indicated "any interest" in the U.S. proposal. "Our bottom line is substantially above their top line," he said.

Mr. Denman said that the EC was ready to continue discussions over the farm subsidy issue—ones which, U.S. officials indicated, might be continued on a bilateral basis after the GATT conference ends.

Peter Rees, Britain's trade minister chided reporters covering the conference for overemphasizing the importance of agriculture, which he termed "always a special case." He said that "to judge the success or failure of this conference by reference to agriculture alone will be to give the wrong balance to our debates."

[From the Financial Times, Nov. 26, 1982]

Strong Opposition to U.S. Proposal on Trade in Services

(By our Geneva correspondent)

U.S. proposals that services should eventually be included in the Gatt free trade rules continued yesterday to be met by strong opposition from leading Third World countries.

Although the EEC is backing the U.S. initiative for a Gatt services study group, which would examine the idea that the 88 Gatt contracting nations should accord all companies offering financial and other services the same treatment as domestic ones, developing countries have shown remarkable cohesion in their objections.

India has emerged as the most vociferous critic of the suggested liberation of services. But almost all the newly industrialising and less developed nations taking part in this week's Geneva talks have made it plain that they fear that if eventually adopted, the measure would lead to their being swamped by the more sophisticated sectors of the industrialised countries.

The UK has emerged as the most enthusiastic backer of the U.S. demand and has played a major role in engaging the European Community's support for it.

But a senior British official yesterday emphasised that gaining Third World agreement to the inclusion of the measure in the final Gatt ministers' communique will still require very hard bargaining. "India, for one, feels that the entire Gatt system would be ruined by the inclusion of services," he warned,

There has, however, been some indication of a break-up of the Third World countries' common front on the issue. Brazil has made it known that it would not oppose a Gatt study of services.

[From the International Herald Tribune, Nov. 27-28, 1982]

GATT Making New Try To End Trade Disputes

(By Axel Krause, International Herald Tribune)

Geneva.—Industrialized and developing nations launched marathon negotiations Friday in a last, determined effort to break deadlocks on trade liberalization proposals in agriculture and industry.

Those deadlocks have produced continued clashes at a ministerial conference on international trade here.

As officials from many of the 88 participating countries prepared for an all-night session Friday, Sir Roy Denman, the chief negotiator for the European Community, said that "we have 17 hours to go—it's double or quits."

The four-day conference, sponsored by the General Agreement on Tariffs and Trade agency, ends Saturday.

If the differences, notably in agriculture, are not resolved by Saturday morning, a conference source said, tentative agreements reached in other trade areas would "become unraveled, meaning something of a failure for the GATT conference generally."

A senior European official added that "it looks grim."

It appeared Friday evening that a tentative agreement had been reached on a study of the services industry, comprising insurance, banking and construction. The proposed study was backed by the United States, Japan, the EC and other industrialized areas, but has been opposed by India and other nonindustrialized countries.

William E. Brock, the chief U.S. negotiator, has said the industry is of crucial importance to trade development in the 1980's.

However, major differences among the United States, the EC and some developing countries remained unresolved, notably on controversial EC subsidies of farm exports.

A deadlock emerged Friday as the United States, Japan and key nonindustrialized countries blocked EC efforts to modify trade liberalization proposals affecting agriculture. The proposals were contained in a 15-page draft GATT declaration Nov. 16.

The proposals, which also cover industrial trade, are designed to bring agriculture "more fully into the multilateral trading system," to attempt "to improve terms of access to markets and to bring export competition under greater discipline," the document states.

In a phrase the Reagan administration considers vital to a successful resolution, the document adds that participants should avoid "subsidization seriously prejudicial" to the trade or interests of GATTs members.

However, by agreeing to such a statement, the EC would undertake commitments to negotiate fundamental changes in the Common Agricultural Policy that top EC officials termed totally unacceptable.

Uffe Ellemann-Jensen, Denmark's Foreign minister and president of the EC Council, said Friday night that "we will not accept dismantling of the CAP," which would "jeopardize the economic and social interests of its people."

Emphasizing that the EC was prepared to launch a study of worldwide farm subsidies, Mr. Ellemann-Jensen and other EC officials reiterated their opposition to U.S. insistence that the study be linked to a commitment to phasing out the subsidies.

Failure to resolve the differences risked what an EC official described as "destroying the whole purpose" of the GATT meeting.

EC officials emphasized, however, that they were prepared to continue discussions with their trading partners over agricultural and industrial issues—holding out some hope that compromises might be reached.

Allan MacEachen, Canada's deputy prime minister and chairman of the conference, said earlier Friday that "there still were chances of pulling off" an agreement that had "broad support and some credibility."

Mr. MacEachen has been chairman of ad hoc sessions through which proposed agreements are being negotiated. Participating were officials from the United States, Brazil, the EC, the Philippines, India, Japan, Switzerland and Colombia.

After several hours of discussions Friday, the group agreed to approve a section of the GATT draft document calling for an improved and more efficient system of safeguards, which are measures taken by governments to protect their domestic industries from what they consider unfair imports.

However, informed sources said, the group did not recommend any actions on defining or specifying how new safeguard rules might work or be applied through GATT, as the United States has urged.

The group agreed to establish a study group that would make recommendations within a year.

A U.S.-Swiss proposal to liberalize safeguard practices was supported by Japan and Canada, but rejected by the EC, the sources said.

Conference sources said that for the meeting to succeed, settlement of the issues—agriculture, safeguards and services—must comprise a total package, acceptable to all participants.